



# IFRS Adviser alert

## Example Consolidated Financial Statements 2021

November 2021

### Overview

The Grant Thornton International IFRS team has published the 2021 version of *IFRS Example Consolidated Financial Statements 2021* (hereinafter the “*Example Consolidated Financial Statements*”).

The *Example Consolidated Financial Statements* are based on the activities and results of the illustrative corporation and its subsidiaries – a fictional consulting, service and retail entity – which have been preparing IFRS financial statements for several years. The form and content of IFRS financial statements depend on the activities and transactions of each reporting entity.

The *Example Consolidated Financial Statements* have been updated to reflect changes in IFRS that are effective for the year ending December 31, 2021. No account has been taken of any new developments published after October 31, 2021.

Given that the global COVID-19 pandemic still impacted several reporting entities during 2021, the 2021 version comments on information that might be relevant to disclose around the COVID-19 in the financial statements.

### Resource

The publication *IFRS Example Consolidated Financial Statements 2021* follows this *IFRS Adviser alert*.



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# IFRS Example Consolidated Financial Statements 2021

with guidance notes



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### Important Disclaimer:

This document has been developed as an information resource. It is intended as a guide only and the application of its contents to specific situations will depend on the particular circumstances involved. While every care is taken in its presentation, personnel who use this document to assist in evaluating compliance with International Financial Reporting Standards should have sufficient training and experience to do so. No person should act specifically on the basis of the material contained herein without considering and taking professional advice.

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# Introduction

## IFRS Example Consolidated Financial Statements 2021

The preparation of financial statements in accordance with International Financial Reporting Standards ('IFRS') is challenging. Each year, new Standards and amendments are published by the International Accounting Standards Board ('IASB') with the potential to significantly impact the presentation of a complete set of financial statements.

The member firms of Grant Thornton International Ltd ('GTIL') have extensive expertise in the application of IFRS. GTIL, through its IFRS Team, develops general guidance that supports its member firms' commitment to high quality, consistent application of IFRS and is therefore pleased to share our insights by publishing 'IFRS Example Consolidated Financial Statements 2021' ('Example Financial Statements').

These Example Financial Statements are based on the activities and results of Illustrative Corporation and its subsidiaries ('the Group') – a fictional consulting, service and retail entity that has been preparing IFRS consolidated financial statements for several years. The form and content of IFRS financial statements will always depend on the activities and transactions of the reporting entity. Our objective in preparing these Example Financial Statements is to illustrate one possible approach to financial reporting by an entity engaging in transactions that are typical across a range of non-specialist sectors. However, as with any publication of this type, these example financial statements cannot envisage every possible transaction and therefore cannot be regarded as comprehensive. Management as defined by the IASB, is ultimately responsible for the fair presentation of financial statements and therefore they may find other approaches more appropriate for its specific circumstances.

These Example Financial Statements have been updated to reflect changes in IFRS that are effective for the year ending 31 December 2021. No account has been taken of any new developments after **31 October 2021**.

### Telling the COVID Story

Reporting the impact of COVID-19 global pandemic in the financial statements will, for many reporting entities, still be a challenge. Preparers of financial statements will need to think about how, where and in what form they should report COVID-19 in their financial statements in light of IFRS as they currently exist. We believe it is important to not only comply with the guidance set out in IFRS, but also ensure the financial statements are an effective part of any wider communication the entity intends to share with its stakeholders. COVID-19 was the main focus of the financial statements for reporting entities in 2020, be it positive or negative, and has continued to remain prominent this year, so financial statements with an annual reporting date in 2021 should be prepared with this in mind.

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We've got scale, combined with local market understanding. That means we're everywhere you are, as well as where you want to be.

### Using the Example Financial Statements

The Appendices illustrate an alternative presentation of the statement of profit or loss and the statement of comprehensive income and contain an overview of effective dates of new Standards.

For guidance on the Standards and Interpretations applied, reference is made to IFRS sources throughout the Example Financial Statements on the left-hand side of each page.

The Example Financial Statements do not address any jurisdictional or regulatory requirements in areas such as management commentary, remuneration reporting or audit reporting. They also do not take into account any specific economic situations around the world. They do however provide commentary around COVID-19 given this has been a global pandemic impacting virtually every reporting entity that exists.

Most importantly, these Example Financial Statements should not be used as a disclosure checklist as facts and circumstances vary between entities and each entity should assess individually what information needs to be disclosed in its financial statements.

### IFRS Taxonomy

The IFRS taxonomy reflects the presentation and disclosure requirements of the IFRS Standards issued by the IASB. It improves communication between preparers and users of IFRS financial statements by enabling preparers to tag required disclosures making them easily accessible when viewing financial statements electronically. The IASB usually publishes the annual IFRS taxonomy in the first quarter of each year.

### Climate-related matters and financial reporting

There is an increasing interest in the impact of climate change on an entity's financial position, financial performance and cashflows as well as their business strategies for this. In November 2020, the IASB released educational material on the effects of climate related matters on financial statements prepared applying IFRS Standards. It does not change existing IFRS requirements, it simply highlights how existing requirements require entities to consider climate-related matters when the impact to the financial statements is material.

### Grant Thornton International Ltd

November 2021

**‘Most importantly, these Example Financial Statements should not be used as a disclosure checklist as facts and circumstances vary between entities and each entity should assess individually what information needs to be disclosed in its financial statements.’**

## Telling the COVID Story

### Disclosures outside financial statements

The financial statements are just one part of a reporting entity's communication with stakeholders. Depending on jurisdictional requirements, an annual report typically includes the financial statements, a management commentary and information about governance, strategy and business developments (often including corporate and social responsibility). It is important the annual report is considered holistically to ensure it delivers a consistent and coherent message about COVID-19 to investors and other stakeholders ('users').

IAS 1 'Presentation of Financial Statements' acknowledges an entity may present, outside the financial statements, a financial review that describes and explains the main features of the organisation's financial performance (including cashflows) and financial position, both locally and internationally. Reports and statements presented outside financial statements are outside the scope of IFRS.

Even though reports and statements outside financial statements are excluded from the scope of IFRS, they are not outside of scope of domestic regulation. If users are told what they need to know in a well-constructed and logical manner, it is highly likely the reporting entity will have done a great deal to comply and satisfy local regulatory requirements. In certain jurisdictions there may be certain reconciliations required between alternative performance measures (APMs) and IFRS.

Remember it is always important to make sure certain required information is placed either in the primary financial statements or in the notes to the financial statements. Particular attention should be given to making sure any disclosures placed outside the financial statements are not required by IFRS to be included within the financial statements.

When reporting on the economic consequences of the pandemic on the reporting entity a key factor is considering whether the message is communicated in a consistent and coherent way. It should always align with any narrative contained elsewhere in the annual report.

Our view when drafting content for the annual report and the financial statements, is that preparers should question:

- what is important to the business and what are its main objectives?
- are these objectives consistent throughout the annual report?
- is the right level of emphasis being placed on disclosures relating to COVID-19?
- are the messages about the impact of COVID-19 consistent?
- is the disclosure sufficient for the reader to be able to understand the impact of COVID-19 on the entity and assist them in making economic decisions?
- are the financial statements using the same terminology between the financial statements, management commentary and any APMs that are being referred to? For example, if the statement of financial position is referred to as the balance sheet, is reference to the balance sheet made consistently throughout the report – rather than switching between the two titles for the same primary financial statement?
- where the annual report includes alternative performance measures (APMs), have they all been properly reconciled to IFRS-based amounts included in the financial statements?
- if any changes have been made to assumptions in light of the pandemic since the entity last reported or if any new assumptions have been made, has a full explanation of these changes and their impact on the financial statements been disclosed?

For more information, please refer to our article on **COVID 19: Alternative performance measures**.

# IFRS Example Consolidated Financial Statements

Illustrative Corporation Group  
31 December 2021





# Consolidated statement of profit or loss

For the year ended 31 December 2021  
(expressed in thousands of Euroland currency units, except per share amounts)

## Telling the COVID Story

An entity should present additional line items when it is relevant to an understanding of the entity's financial position, financial performance or its cash flows. While an entity is allowed to add lines into its primary financial statements in respect of COVID-19, it is important to ensure COVID-19 related matters are not given undue prominence and therefore we would discourage this approach. In our view, it would not be appropriate to add columns that exclude the impact of COVID-19 in the financial statements.

In respect of the above view, IAS 1 requirements would not allow such a presentation. It states that total comprehensive income comprises all of 'profit or loss' and of 'other comprehensive income'. These are defined as:

- 'the total of income less expenses, excluding the components of other comprehensive income' for profit or loss, and
- 'items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRS' for other comprehensive income.

In other words, due to the above IAS 1 requirements, it would not be appropriate to present some selected items of revenue and expenses as non-recurring or unusual, and they should never be described as extraordinary. When preparing financial statements bear in mind that an unusual or new type of transaction is more likely to be material than a routine or regularly occurring transaction of the same size.

IAS 1.98 provides some examples of items considered 'unusual' that could warrant disclosure that may otherwise fall below materiality thresholds, and some these could be relevant when reporting on the consequences of COVID-19:

- write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs
- restructurings of the activities of an entity and reversals of any provisions for the costs of these restructurings
- disposals of items of property, plant and equipment
- disposals of investments
- discontinued operations
- litigation settlements, and
- other reversals of provisions.

# Consolidated statement of profit or loss

For the year ended 31 December 2021  
(expressed in thousands of Euroland currency units, except per share amounts)

IAS 1.51(c) IAS 1.51(d-e)		Notes	2021	2020
IAS 1.82(a)	Revenue	8, 9	<b>205,793</b>	191,228
IAS 1.85	Other income		<b>299</b>	708
IAS 1.85	Changes in inventories		<b>(7,923)</b>	(6,815)
IAS 1.85	Costs of material		<b>(42,535)</b>	(39,420)
IAS 1.85	Employee benefits expense	22	<b>(113,809)</b>	(109,515)
IAS 1.85	Change in fair value of investment property	14	<b>310</b>	175
IAS 1.85	Depreciation, amortisation and impairment of non-financial assets		<b>(10,093)</b>	(8,881)
IAS 1.82(ba)	Impairment losses of financial assets	34.2	<b>(212)</b>	(228)
IAS 1.85	Other expenses		<b>(8,598)</b>	(8,943)
	<b>Operating profit</b>		<b>23,232</b>	<b>18,309</b>
IAS 1.82(c)	Share of profit from equity accounted investments	7	<b>391</b>	141
IAS 1.82(b)	Finance costs	27	<b>(3,869)</b>	(3,993)
IAS 1.85	Finance income	27	<b>964</b>	885
IAS 1.85	Other financial items	28	<b>943</b>	1,182
	<b>Profit before tax</b>		<b>21,661</b>	<b>16,524</b>
IAS 1.82(d)	Tax expense	29	<b>(6,794)</b>	(4,888)
	<b>Profit for the year from continuing operations</b>		<b>14,867</b>	<b>11,636</b>
IAS 1.82(ea)	Loss for the year from discontinued operations	20	<b>(9)</b>	(325)
IAS 1.81A(a)	<b>Profit for the year</b>		<b>14,858</b>	<b>11,311</b>
	<b>Profit for the year attributable to:</b>			
IAS 1.81B(a)(i)	Non-controlling interest		<b>121</b>	116
IAS 1.81B(a)(ii)	Owners of the parent		<b>14,737</b>	11,195
			<b>14,858</b>	<b>11,311</b>
		Notes	2021	2020
	<b>Earnings per share</b>	30		
IAS 33.67A	<b>Basic earnings (loss) per share</b>			
IAS 33.66	– From continuing operations		<b>1.19</b>	0.93
IAS 33.68A	– From discontinued operations		<b>(0.00)</b>	(0.03)
IAS 33.66	Total		<b>1.19</b>	<b>0.90</b>
IAS 33.67A	<b>Diluted earnings (loss) per share</b>			
IAS 33.66	– From continuing operations		<b>1.19</b>	0.93
IAS 33.68A	– From discontinued operations		<b>(0.00)</b>	(0.03)
IAS 33.66	Total		<b>1.19</b>	<b>0.90</b>

## Guidance note

IAS 1 permits an entity to present a statement of profit or loss and comprehensive income as:

- a single statement with profit or loss and other comprehensive income presented in two sections, or
- two statements: a separate statement of profit or loss and a separate statement of other comprehensive income. If so, the separate statement of profit or loss shall immediately precede the statement presenting other comprehensive income, which shall begin with profit or loss (IAS 1.10A).

These Example Financial Statements illustrate a statement of profit or loss and other comprehensive income in two statements. A single statement presentation is shown in Appendix B.

This statement of profit or loss illustrates an example of the 'nature of expense' method. See Appendix A for a format illustrating the 'function of expense' or 'cost of sales' method.

There may be situations where additional line items, headings and subtotals need to be included. IAS 1.85 requires an entity to present such additional items (including the disaggregation of the line items listed in IAS 1.82) in the statements of profit or loss and other comprehensive income when such presentation is relevant to an understanding of the entity's financial performance.

IAS 1.85A requires any additional subtotals presented to be:

- comprised of line items made up of amounts recognised and measured in accordance with IFRS
- presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable
- consistent from period to period
- no more prominent than the subtotals and totals required in IFRS for the statement(s) presenting profit or loss and other comprehensive income.

This statement of profit or loss presents an operating profit subtotal, which is commonly seen but is not required or defined in IFRS. Where this subtotal is provided, the figure disclosed should include items that would normally be considered to be operating. It is inappropriate to exclude items clearly related to operations (eg inventory write-downs and restructuring and relocation expenses) on the basis they do not occur regularly or are unusual in amount (IAS 1.85C).

This statement of profit or loss includes an amount representing the entity's share of profit from equity accounted investments (after tax and, if applicable, non-controlling interest).

# Consolidated statement of comprehensive income

For the year ended 31 December 2021  
(expressed in thousands of Euroland currency units, except per share amounts)

IAS 1.51(c) IAS 1.51(d-e)	Notes	2021	2020
IAS 1.81A(a) <b>Profit for the year</b>		<b>14,858</b>	<b>11,311</b>
<b>Other comprehensive income:</b>			
IAS 1.82A(a)(i) <b>Items that will not be reclassified subsequently to profit or loss</b>			
IAS 16.77(f) Revaluation of land	12	<b>303</b>	-
IAS 19.120(c) Remeasurement of net defined benefit liability	22	<b>3,830</b>	(3,541)
IAS 1.90 IAS 1.91(b) Income tax relating to items not reclassified	21.3	<b>(1,240)</b>	1,062
IAS 1.82A(a)(ii) <b>Items that will be reclassified subsequently to profit or loss</b>			
Cash flow hedging			
IFRS 7.24C(b) (j) – current year gains (losses)	21.3	<b>890</b>	540
IAS 1.92 IFRS 7.24C(b) – reclassification to profit or loss	21.3	<b>(640)</b>	(712)
IAS 21.52(b) Exchange differences on translating foreign operations		<b>(664)</b>	(341)
IAS 1.82A(b) Share of other comprehensive income of equity accounted investments	7	<b>5</b>	-
IAS 1.92 – reclassification to profit or loss		<b>(3)</b>	-
IAS 1.90 IAS 1.91(b) Income tax relating to items that will be reclassified	21.3	<b>176</b>	95
IAS 1.81A(b) <b>Other comprehensive income for the year, net of tax</b>		<b>2,657</b>	<b>(2,897)</b>
IAS 1.81A(c) <b>Total comprehensive income for the year</b>		<b>17,515</b>	<b>8,414</b>
<b>Total comprehensive income for the year attributable to:</b>			
IAS 1.81B(b)(i) Non-controlling interest		<b>121</b>	116
IAS 1.81B(b)(ii) Owners of the parent		<b>17,394</b>	8,298
		<b>17,515</b>	<b>8,414</b>

## Guidance note

IAS 1 requires the entity to disclose reclassification adjustments (amounts previously recognised in other comprehensive income that are reclassified to profit or loss) and related tax effects (IAS 1.90–1.92). These Example Financial Statements present reclassification adjustments and current year gains and losses relating to other comprehensive income in the statement of comprehensive income. An entity may instead present reclassification adjustments in the notes, in which case the components of other comprehensive income are presented after any related reclassification adjustments (IAS 1.94).

IAS 1.82A requires an entity to present line items of other comprehensive income for the period, classified by nature and grouped into those that (in accordance with other IFRS):

- will not be reclassified subsequently to profit or loss, and
- will be reclassified subsequently to profit or loss when specific conditions are met.

IAS 1.82A requires the share of the other comprehensive income of associates and joint ventures accounted for using the equity method to be classified and presented in the same way.

IAS 1.90 permits a choice for disclosure of the amount of income tax relating to each component of other comprehensive income. In this example the entity presents components of other comprehensive income before tax with one amount shown for the aggregate amount of income tax relating to all components of other comprehensive income (IAS 1.91(b)). When an entity selects this alternative, it must allocate the tax between the items that might be reclassified subsequently to the profit or loss section and those that will not be reclassified subsequently to the profit or loss section.

Alternatively, an entity may present each component of other comprehensive income net of related tax effects (IAS 1.91(a)).

If the tax effect of each component of other comprehensive income is not presented in the statement of profit or loss and other comprehensive income, it is presented in the notes (IAS 1.90 – see Note 21.3).

# Consolidated statement of financial position

as at 31 December 2021

(expressed in thousands of Euroland currency units, except per share amounts)

IAS 1.51(c) IAS 1.51(d-e)	Notes	31 Dec 2021	31 Dec 2020
<b>Assets</b>			
<b>Non-current</b>			
IAS 1.60 IAS 1.66-67			
IAS 1.55	10	<b>5,041</b>	3,537
IAS 1.54(c)	11	<b>17,424</b>	13,841
IAS 1.54(a)	12	<b>18,606</b>	16,194
	13	<b>29,534</b>	32,205
IAS 1.54(e)	7	<b>860</b>	467
IAS 1.54(b) IFRS 16.48	14	<b>12,662</b>	12,277
IAS 1.55	8	<b>185</b>	160
IAS 1.54(d)	15.1	<b>4,051</b>	4,137
IAS 1.54(o) IAS 1.56	16	-	905
		<b>88,363</b>	83,723
<b>Current</b>			
IAS 1.60 IAS 1.66			
IFRS 5.38 IAS 1.54(j)	20	<b>103</b>	3,908
IAS 1.54(g)	17	<b>18,298</b>	17,226
IAS 1.55	8	<b>406</b>	422
IAS 1.54(h)	18	<b>32,720</b>	24,824
IAS 1.54(d) IAS 1.55	15.4 15.1	<b>716</b>	442
IAS 1.54(d)	15.1	<b>655</b>	649
IAS 1.54(i)	19	<b>34,729</b>	11,197
		<b>87,627</b>	58,668
IAS 1.55		<b>175,990</b>	<b>142,391</b>

## Guidance note:

These Example Financial Statements use the terminology in IAS 1. However, an entity is permitted to use other titles (eg 'balance sheet' instead of 'statement of financial position') for the statements identified in IAS 1 (IAS 1.10).

IAS 1.38A requires an entity to present, at a minimum, two statements of financial position, two statements of profit or loss and other comprehensive income, two statements of cash flows, two statements of changes in equity, and related notes. These statements and related notes should be prepared for the current period and prior period.

In addition, IAS 1.10(f) and IAS 1.40A require an entity to present a third statement of financial position as at the beginning of the preceding period if:

- it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in the financial statements, and
- the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

An entity can also elect to include additional comparative information (such as a third statement of financial position) as long as that information is prepared in accordance with IFRS (IAS 1.38C). When the additional comparative information includes one or more of the statements identified in IAS 1.10, an entity must also present related note information.

In contrast, IAS 1.40C states an entity that is required to present a third statement of financial position at the beginning of the preceding period does not need to present the related notes for that statement.

In the prior year, Illustrative Corporation Group adopted IFRS 16 and elected to apply the modified retrospective approach for this Standard. Accordingly, the Group did not restate its comparatives for previous periods and as a result presentation of a third statement of financial position was not required.

The consolidated statement of financial position reflects the separate classification of current and non-current assets and liabilities. When presentation based on liquidity is reliable and more relevant, the entity instead presents assets and liabilities in order of liquidity (IAS 1.60). Regardless of which method is used, the entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled within and after more than twelve months (IAS 1.61).

# Consolidated statement of financial position

as at 31 December 2021

(expressed in thousands of Euroland currency units, except per share amounts)

IAS 1.51(c) IAS 1.51(d-e)	Notes	31 Dec 2021	31 Dec 2020	
<b>Equity and liabilities</b>				
<b>Equity</b>				
<b>Equity attributable to owners of the parent</b>				
IAS 1.54(r)	Share capital	21	13,770	12,000
IAS 1.78(e)	Share premium		19,645	3,050
IAS 1.78(e)	Other components of equity	21	2,265	(392)
IAS 1.54(r)	Retained earnings		49,076	37,041
	<b>Equity attributable to owners of the parent</b>		<b>84,756</b>	<b>51,699</b>
IAS 1.54(q)	Non-controlling interest		713	592
IAS 1.55	<b>Total equity</b>		<b>85,469</b>	<b>52,291</b>
<b>Liabilities</b>				
<b>Non-current</b>				
IAS 1.60 IAS 1.69	Pension and other employee obligations	22.3	10,386	13,642
IAS 1.54(m)	Borrowings	15.5	21,070	21,265
IFRS 16.47(b)	Lease liabilities	13	31,194	33,003
IAS 1.54(o) IAS 1.56	Deferred tax liabilities	16	1,903	-
IAS 1.55	Other liabilities	25	620	-
	<b>Non-current liabilities</b>		<b>65,173</b>	67,910
<b>Current</b>				
IAS 1.60 IAS 1.69	Liabilities included in disposal group classified as held for sale	20	-	449
IFRS 5.38 IAS 1.54(p)	Provisions	23	1,215	3,345
IAS 1.55	Pension and other employee obligations	22.3	1,467	1,496
IAS 1.54(m)	Borrowings	15.5	4,815	3,379
IFRS 16.47(b)	Lease liabilities	13	2,522	2,506
IAS 1.54(k)	Trade and other payables	24	8,497	6,550
IAS 1.54(n)	Current tax liabilities		4,174	930
IAS 1.54(m)	Derivative financial instruments	15.4	-	160
IAS 1.55	Contract and other liabilities	25	2,658	3,375
	<b>Current liabilities</b>		<b>25,348</b>	22,190
IAS 1.55	<b>Total liabilities</b>		<b>90,521</b>	<b>90,100</b>
IAS 1.55	<b>Total equity and liabilities</b>		<b>175,990</b>	<b>142,391</b>

# Consolidated statement of changes in equity

For the year ended 31 December 2021  
(expressed in thousands of Euroland currency units, except per share amounts)

IAS 1.51(c) IAS 1.51(d-e)	Notes	Share capital	Share premium	Other components of equity	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total equity
IAS 1.106(d)	<b>Balance at 1 January 2021</b>	<b>12,000</b>	<b>3,050</b>	<b>(392)</b>	<b>37,041</b>	<b>51,699</b>	<b>592</b>	<b>52,291</b>
	Dividends	30	-	-	(3,000)	(3,000)	-	(3,000)
	Issue of share capital on exercise of employee share options	22.2	270	1,415	-	1,685	-	1,685
	Employee share-based compensation	22.2	-	-	298	298	-	298
	Issue of share capital on private placement	21	1,500	15,180	-	16,680	-	16,680
IAS 1.106(d)(iii)	Transactions with owners	1,770	16,595	-	(2,702)	15,663	-	15,663
IAS 1.106(d)(i)	Profit for the year	-	-	-	14,737	14,737	121	14,858
IAS 1.106(d)(ii) IAS 1.106A	Other comprehensive income	21.3	-	2,657	-	2,657	-	2,657
IAS 1.106(a)	Total comprehensive income for the year	-	-	2,657	14,737	17,394	121	17,515
	<b>Balance at 31 December 2021</b>	<b>13,770</b>	<b>19,645</b>	<b>2,265</b>	<b>49,076</b>	<b>84,756</b>	<b>713</b>	<b>85,469</b>
IAS 1.106(d)	<b>Balance at 1 January 2020</b>	<b>12,000</b>	<b>3,050</b>	<b>2,505</b>	<b>25,380</b>	<b>42,935</b>	<b>476</b>	<b>43,411</b>
	Employee share-based compensation	22.2	-	-	466	466	-	466
IAS 1.106(d)(iii)	Transactions with owners	-	-	-	466	466	-	466
IAS 1.106(d)(i)	Profit for the year	-	-	-	11,195	11,195	116	11,311
IAS 1.106(d)(ii) IAS 1.106A	Other comprehensive income	21.3	-	(2,897)	-	(2,897)	-	(2,897)
IAS 1.106(a)	Total comprehensive income for the year	-	-	(2,897)	11,195	8,298	116	8,414
	<b>Balance at 31 December 2020</b>	<b>12,000</b>	<b>3,050</b>	<b>(392)</b>	<b>37,041</b>	<b>51,699</b>	<b>592</b>	<b>52,291</b>

## Guidance note

IAS 1.106 provides a list of items to be presented in the statement of changes in equity. An entity may present the required reconciliations for each component of other comprehensive income either in:

- the statement of changes in equity or
- the notes to the financial statements (IAS 1.106A).

The Example Financial Statements present the reconciliations for each component of other comprehensive income in the notes to the financial statements (see Note 21.3). This reduces duplicated disclosures and allows the overall changes in equity to be presented more clearly in the statement of changes in equity.

IFRS 2 'Share-based Payment' requires an entity to recognise equity-settled share-based payment transactions as changes in equity but does not specify how this is presented, that is, in a separate reserve within equity or within retained earnings. In our view, either approach is allowed under IFRS (although this may be subject to local regulations in some jurisdictions). In these Example Financial Statements, the changes in equity are credited to retained earnings.

# Consolidated statement of cash flows

For the year ended 31 December 2021  
(expressed in thousands of Euroland currency units, except per share amounts)

IAS 1.51(c) IAS 1.51(d-e)	Notes	2021	2020
IAS 7.10	<b>Operating activities</b>		
	Profit before tax	21,661	16,524
	Non-cash adjustments	31 11,942	12,352
	Contributions to defined benefit plans	(1,186)	(1,273)
	Net changes in working capital	31 (11,891)	4,189
	Settling of derivative financial instruments	(33)	716
IAS 7.35	Taxes reclaimed (paid)	6,149	(7,229)
	Net cash from continuing operations	26,642	25,279
IFRS 5.33(c)	Net cash from (used in) discontinued operations	20 (22)	811
	<b>Net cash from operating activities</b>	<b>26,620</b>	<b>26,090</b>
IAS 7.10	<b>Investing activities</b>		
	Purchase of property, plant and equipment	(76)	(3,281)
	Proceeds from disposal of property, plant and equipment	86	-
	Purchase of other intangible assets	(3,746)	(4,459)
	Proceeds from disposal of other intangible assets	809	-
	Acquisition of subsidiaries, net of cash acquired	5 (15,491)	(12,075)
IAS 7.39	Proceeds from sale of subsidiaries, net of cash sold	6.3 3,117	-
	Proceeds from disposal and redemption of non-derivative financial assets	228	73
IAS 7.31	Interest received	745	447
IAS 7.31	Dividends received	27 69	21
IAS 7.35	Taxes paid	(244)	(140)
	<b>Net cash used in investing activities</b>	<b>(14,503)</b>	<b>(19,414)</b>
IAS 7.10	<b>Financing activities</b>		
	Proceeds from borrowings	26 1,441	-
	Repayment of borrowings and leasing liabilities	26 (2,093)	(2,147)
	Proceeds from issue of share capital	18,365	-
IAS 7.31	Interest paid	(3,380)	(3,340)
IAS 7.31	Dividends paid	30 (3,000)	-
	<b>Net cash from (used in) financing activities</b>	<b>11,333</b>	<b>(5,487)</b>
IAS 7.45	<b>Net change in cash and cash equivalents</b>	<b>23,450</b>	1,189
	Cash and cash equivalents, beginning of year	11,219	9,987
IAS 7.28	Exchange differences on cash and cash equivalents	60	43
	<b>Cash and cash equivalents, end of year</b>	<b>34,729</b>	<b>11,219</b>
	Cash and cash equivalents included in disposal group	20 -	(22)
IAS 7.45	<b>Cash and cash equivalents for continuing operations</b>	19 <b>34,729</b>	<b>11,197</b>

## Guidance note

IAS 718 allows an entity to prepare their cash flow statement using either the direct method or the indirect method. While IAS 719 encourages the use of the direct method, practice varies, and an entity might find it easier to apply the indirect method. These Example Financial Statements present a cash flow statement using the indirect method whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. If the direct method was applied, an entity would disclose major classes of gross cash receipts and gross cash payments.

# Notes to the IFRS Example Consolidated Financial Statements

Illustrative Corporation Group  
For the year ended 31 December 2021  
(expressed in thousands of Euroland currency units,  
except per share amounts)

## Telling the COVID Story

For the purposes of these Example Financial Statements, commentary has been provided on the potential impacts of COVID-19 on the different areas of the financial statements for balances and disclosures. The ordering of the notes could potentially change if the impact of COVID-19 changes their significance or importance (for example, notes on going concern, impairment or events after the reporting date). In these Example Financial Statements, no changes to the order of the notes were made. When making disclosures in financial statements, the more uncertain the environment, the more detailed the disclosures of the assumptions and assessments used to prepare the financial statements should be. (For example, useful lives, discount rates as a result of changes in market conditions, government grants received etc.).

## Guidance note

IAS 1 sets out the basic principles governing the form and content of financial statements and related notes. The notes shall be presented in a systematic manner, and disclose information about the specific accounting policies used, the basis of preparation of the financial statements, and any other information either required by other IFRS, or necessary to the understanding of the statements (IAS 1.113 and IAS 1.117).

An entity applies materiality when preparing the financial statements, and there is no need to disclose immaterial information even when it is explicitly required by an IFRS (IAS 1.31). An entity should apply judgement when determining the best way to present the notes to the financial statements and should consider how decisions made will impact the understandability and comparability of the financial statements (IAS 1.113).

For convenience, these Example Financial Statements generally follow the order suggested by IAS 1.114(c) although we encourage an entity to consider alternatives that may enhance the understandability of the financial statements to readers. For example, in recent years there has been a growing trend towards integrating information about accounting policies and significant judgements and estimates with the related notes.

While a traditional narrative format has been adopted for use in these Example Financial Statements, an entity should consider whether alternative presentation formats (such as presenting the information in a table) would enhance readers' understanding.



## 1. Nature of operations

IAS 1.51(a)  
IAS 1.138(b)

The principal activities of Illustrative Corporation Ltd and subsidiaries (the Group) include selling of telecommunications hardware and software, related after-sales service, consulting, and the construction of telecommunications systems. These activities are grouped into the following service lines:

- **retail** – focusing on the sale of the Group’s proprietary hardware and software products and related customisation and integration services
- **after-sales service** – providing fixed-price maintenance of extended warranty agreements to the Group’s retail customers
- **consulting and outsourcing** – advising companies on telecommunications systems strategies and IT security, and providing IT outsourcing services including payroll and accounts payable transaction processing
- **construction** – providing customers with complete telecommunications systems solutions from design to development and installation.

**Guidance note:** The notes to these Example Financial Statements only include disclosures relevant to the fictitious entity Illustrative Corporation Ltd and subsidiaries. IFRS may require different or additional disclosures in other situations. Disclosures should always be tailored to reflect an entity’s specific facts and circumstances.

## 2. General information, statement of compliance with IFRS and going concern assumption

### Telling the COVID Story

#### Overall assessment of impact of COVID-19 on the preparation and presentation of the financial statements

We recommend updating the note describing the overall impact of COVID-19 on the entity. This can then refer to specific disclosures within the notes to the financial statements. It may be relevant to include all the quantitative information on the significant impact of COVID-19 in this note. We remind entities the importance of providing entity specific disclosures of what is particularly relevant in the context of COVID-19 for both the current and prior year.

#### Going concern

IAS 1 contains guidance related to the going concern assumption and outlines when financial statements are prepared on the assumption the entity will continue as a going concern. IAS 1 explicitly states at each reporting date, management is required to assess the entity’s ability to continue as a going concern and consider all available information about the future, which is at least, but is not limited to, twelve months from the annual reporting date. Management should consider a wide range of factors, such as: current and expected profitability, debt repayment schedules and potential sources of replacement financing, and the ability to continue providing services. If management concludes the entity may be liquidated (either by choice or because it has no realistic alternative but to do so) within 12 months from the end of the reporting period, the going concern assumption would not be appropriate and the financial statements may have to be prepared on another basis, such as a liquidation basis. Refer to our IFRS Viewpoint ‘**Preparing financial statements when the going concern basis is not appropriate**’. If there is material uncertainty about the entity’s ability to continue as a going concern, the entity should include going concern disclosure in the notes to its financial statements.

## Telling the COVID Story (cont)

Because the assessment regarding an entity's ability to continue as a going concern covers a period no less than twelve months from the annual reporting date, all events that occur during an entity's subsequent events period should be considered when evaluating whether there is significant doubt about the entity's ability to continue as a going concern. In other words, even if events during the subsequent events period are not considered adjusting subsequent events, they should still be incorporated into the going concern assessment. Furthermore, events or conditions that cast significant doubt on an entity's ability to continue as a going concern should be disclosed if there are material uncertainties or if a significant amount of judgment is involved in reaching the conclusion about whether the going concern assumption is appropriate. IFRIC agenda decisions from **July 2010** and **July 2014** should also be taken into consideration here.

We recommend caution when considering the relevant period of assessment for going concern. There has been modification to the auditing standards at a local level for some jurisdictions. These include Australia, New Zealand and the UK. They stipulate the auditor must ensure that management has considered a period of no less than 12 months from the date of approval of the financial statements.

For more details, refer to our article '**COVID-19: Going Concern Considerations**'.

In January 2021 the IASB issued educational material to support entities in applying the going concern requirements. Refer to the following [link](#).

IAS 1.138(a)  
IAS 1.138(c)

Illustrative Corporation Ltd (Illustrative Corporation), the Group's ultimate parent company, is a limited liability company incorporated and domiciled in Euroland. Its registered office and principal place of business is 149 Great Place, 40237 Greatville, Euroland. Illustrative Corporation's shares are listed on the Greatstocks Stock Exchange.

IAS 1.16  
IAS 1.51(b)  
IAS 1.25

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They have been prepared under the assumption the Group operates on a going concern basis.

IAS 1.51(c)  
IAS 10.17

The consolidated financial statements for the year ended 31 December 2021 (including comparatives) were approved and authorised for issue by the board of directors on 1 March 2022 (see Note 38). Under the Security Regulations Act of Euroland, amendments to the financial statements are not permitted after approval.

## 3. New or revised Standards or Interpretations

**Guidance note:** The discussion of the initial application of IFRS only needs to be disclosed in the first financial statements after the new or revised Standards have been adopted by the entity.

### 3.1 New Standards adopted as at 1 January 2021

**Guidance note:** Included in this note are amendments that have a significant impact on these Example Financial Statements, and therefore detailed disclosures have been made as required by IAS 8.28. For 2021, there are none to be disclosed.

Some accounting pronouncements which have become effective from 1 January 2021 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

**Guidance note:** As illustrated above, IAS 8.28 requires an entity to disclose detailed information on certain Standards that have been applied for the first time in the current period. Other Standards and amendments that are effective for the first time in 2021 (for an entity with a 31 December 2021 year-end) and could be applicable to the Group are:

- COVID-19-related rent concessions beyond 30 June 2021 (Amendments to IFRS 16)
- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)<sup>1</sup>

These amendments do not have a significant impact on these Example Financial Statements and therefore the disclosures have not been made. However, whilst they do not affect these Example Financial Statements they will impact some entities. An entity should assess the impact of these new Standards on their financial statements based on their own facts and circumstances and make appropriate disclosures.

### 3.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

**Guidance note:** IAS 8.30 requires an entity to disclose Standards issued but not yet effective that they will apply in the future. As part of this disclosure an entity must provide known or reasonably estimable information relevant to assessing the possible impact the new IFRS will have on their financial statements in the period of initial application. For new or amended IFRS or Interpretations that are expected to have a material impact, an entity should consider disclosing the title of the new IFRS Standard, the nature of the expected change in accounting policy, the effective date of the Standard, and the date at which the entity intends to first apply the Standard (IAS 8.31). Where there is not expected to be a material impact, it is not necessary to do this, and doing so may actually contribute to disclosure overload. For example, IFRS 17 'Insurance Contracts' will have a major impact on entities issuing insurance contracts, however, it will not affect this Group.

Other Standards and amendments that are not yet effective and have not been adopted early by the Group include:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- References to the Conceptual Framework
- Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Deferred Tax related to Assets and Liabilities from a Single Transaction

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made. However, whilst they do not affect these Example Financial Statements, they will impact some entities. An entity should assess the anticipated impact of these new Standards and amendments on their financial statements based on their own facts and circumstances and make appropriate disclosures.

<sup>1</sup> For instance, entities with significant floating rate exposures (in the form of financial debt or investment, leases, insurance contracts or derivatives) still indexed at 2021 year-end to indices (such as US LIBOR) that will soon be replaced by new interest rate references, should keep in mind the new disclosure requirements introduced by the aforementioned amendments to IFRS 7. Among other things, entities are required to describe how they are managing the transition to alternative benchmark rates, and to provide specific quantitative information about financial instruments that have yet to transition.

IAS 8.30  
IAS 8.31

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's consolidated financial statements.

## 4. Significant accounting policies

### Telling the COVID Story

In most cases the accounting policies should not change as a result of COVID-19. However, if the entity is for example, adopting the practical expedient for lease modifications under IFRS 16 (see Leased assets Note 4.14), then this change should be reflected in its accounting policies.

An entity that has historically not been eligible for government assistance may be entitled to receive government assistance as a result of the COVID-19 pandemic. Management may need to establish an accounting policy regarding government assistance which needs to be appropriate and in line with the requirements in IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'. It is essential to distinguish between government assistance and government grants and ensure that grants are recognised only when the recognition criteria in IAS 20 are met. Some of the government assistance may involve deferral of tax payments or other tax allowances. The accounting treatment of tax allowances may need to be accounted for under IAS 12 'Income Taxes' rather than IAS 20. We have more information on this topic in our article '[COVID-19: Government Grants](#)'.

**Guidance note:** An entity should disclose its significant accounting policies. However, IAS 1 gives only limited guidance about what a significant accounting policy could be. IAS 1.117 states that significant accounting policies should comprise:

- a the measurement basis (or bases) used in preparing the financial statements, and
- b the other accounting policies used that are relevant to an understanding of the financial statements.

Deciding which accounting policies are significant requires judgement. The nature of the entity's operations may cause an accounting policy to be significant even if the amounts involved are not material. In accordance with IAS 1.117, and IAS 1.121–122, an entity should also consider:

- whether the policy was selected among alternatives provided by the relevant Standard
- the extent of judgement, estimation uncertainty or complexity involved in applying the policy
- whether the policy was developed for a type of transaction not covered by IFRS, and
- whether disclosing the policy would assist users in understanding particular transactions or events.

We recommend an entity makes their accounting policy disclosures clear and specific as these will add value and insight to the users. Entity-specific accounting policy disclosures:

- explain how the entity applies the policy
- are written in plain English so are easy to understand, and
- are up-to-date in terms of IFRS requirements and the business state if an accounting policy choice was made from the Standard and why this choice was made.

IAS 1.27 IAS 1.51(d–e) IAS 1.53	<p><b>4.1 Basis of preparation</b></p> <p>The Group’s financial statements have been prepared on an accruals basis and under the historical cost convention except for the revaluation of properties, investments and derivatives. Monetary amounts are expressed in Euroland currency (CU) and are rounded to the nearest thousands, except for earnings per share.</p>
IFRS 10.B92 IAS 1.51(c)	<p><b>4.2 Basis of consolidation</b></p> <p>The Group’s financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2021. All subsidiaries have a reporting date of 31 December.</p>
IFRS 10.B86(c)	<p>All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.</p>
IFRS 10.B88	<p>Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.</p>
IFRS 10.22 IFRS 10.B94	<p>The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.</p>
IFRS 3.4 IFRS 3.37	<p><b>4.3 Business combinations</b></p> <p>The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.</p>
IFRS 3.18	<p>Assets acquired and liabilities assumed are measured at their acquisition-date fair values.</p>
IAS 28.16 IFRS 11.24	<p><b>4.4 Investments in associates and joint ventures</b></p> <p>Investments in associates and joint ventures are accounted for using the equity method.</p>
IAS 28.10	<p>The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group’s share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.</p>
IAS 28.28	<p>Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group’s interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.</p>

#### 4.5 Foreign currency translation

### Telling the COVID Story

An entity is required to translate foreign currency transactions into the reporting/functional currency using the spot rate in effect on the date of the transaction. As a practical expedient, an entity may translate revenue earned and expenses incurred in a foreign currency using an average rate (eg a monthly or annual average). In years when exchange rates remain fairly stable, the difference between using the spot rate vs the average rate will be insignificant. However, some exchange rates are fluctuating significantly during this period of economic uncertainty. As a result, an entity may need to revisit the way it translates foreign currency transactions in its statement of profit or loss and assess whether its current accounting policy remains appropriate.

## Notes to the consolidated financial statements

For the year ended 31 December 2021 (expressed in thousands of Euroland currency units, except per share amounts)

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IAS 1.51(d) IAS 21.53	<p><b>Functional and presentation currency</b></p> <p>The consolidated financial statements are presented in currency units CU, which is also the functional currency of the parent company.</p>
IAS 21.21 IAS 21.28 IAS 21.23(a)	<p><b>Foreign currency transactions and balances</b></p> <p>Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at period-end exchange rates are recognised in profit or loss.</p>
IAS 21.23(b) IAS 21.23(c)	<p>Non-monetary items are not retranslated at the period-end. They are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.</p>
IAS 21.47	<p><b>Foreign operations</b></p> <p>In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the CU are translated into CU upon consolidation. The functional currencies of entities within the Group have remained unchanged during the reporting period.</p>
IAS 21.48	<p>On consolidation, assets and liabilities have been translated into CU at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into CU at the closing rate. Income and expenses have been translated into CU at the average rate<sup>2</sup> over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.</p>
IFRS 8.22(a) IFRS 8.22(b)	<p><b>4.6 Segment reporting</b></p> <p>The Group has three operating segments: consulting, service and retail. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services (see Note 9).</p>
IFRS 8.27(a)	<p>Each of these operating segments is managed separately as each requires different technologies, marketing approaches and other resources. All inter-segment transfers are carried out at arm's length prices based on prices charged to unrelated customers in stand-alone sales of identical goods or services.</p>
IFRS 8.27(b-d)	<p>For management purposes, the Group uses the same measurement policies as those used in its financial statements, except for certain items not included in determining the operating profit of the operating segments, as follows:</p> <ul style="list-style-type: none"><li>• post-employment benefit expenses</li><li>• share-based payment expenses</li><li>• research costs relating to new business activities, and</li><li>• revenue, costs and fair value gains from investment property.</li></ul> <p>In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. This primarily applies to the Group's headquarters and the Illustrative Research Lab in Greatville.</p>

<sup>2</sup> Note that the use of average rates is appropriate only if rates do not fluctuate significantly (IAS 21.40).

## 4.7 Revenue

IAS 1.117(b)

**Guidance note:** Revenue is one of the most important line items for most entities, and therefore a policy is almost always disclosed. Entities with multiple revenue streams should always remember to address each significant revenue stream separately.

### Overview

Revenue arises mainly from the sale of telecommunications hardware and non-customised software, bespoke solutions, after-sales maintenance and extended warranty services, consulting and IT services, and contracts for the construction of telecommunication systems.

To determine whether to recognise revenue, the Group follows a 5-step process:

IFRS 15.9-12

1 Identifying the contract with a customer

IFRS 15.22

2 Identifying the performance obligations

IFRS 15.47

3 Determining the transaction price

IFRS 15.73

4 Allocating the transaction price to the performance obligations

IFRS 15.31

5 Recognising revenue when/as performance obligation(s) are satisfied.

IFRS 15.46

IFRS 15.47

The Group often enters into customer contracts to supply a bundle of products and services, for example telecommunications hardware, software and related after-sales service. The contract is then assessed to determine whether it contains a single combined performance obligation or multiple performance obligations. If applicable the total transaction price is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

IFRS 15.22

IFRS 15.74

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

IFRS 15.106

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in its consolidated statement of financial position (see Note 25). Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

IFRS 15.107

IFRS 15.108

### Hardware and software sales

IFRS 15.31

Revenue from the sale of telecommunications hardware and non-customised software is recognised when or as the Group transfers control of the asset to the customer.

IFRS 15.119(a)

IFRS 15.38

IFRS 15.B56

For stand-alone sales of telecommunications hardware and/or non-customised software without installation services, control transfers when the customer takes delivery of the hardware or is provided with a download key for the software. Non-customised software is supplied under licences with a fixed term of between 1 and 3 years which convey a right to use software as it exists at the start of the licence period. The Group does not modify the software during the licence period.

### Bespoke solutions

The Group also supplies customers with bespoke telecommunication solutions that include customised hardware and software and an installation service that enables the solution to interface with the customer's existing systems. The Group has determined that the hardware, software and installation service are each capable of being distinct as, in theory, the customer could benefit from them individually by acquiring the other elements elsewhere. However, the Group also provides a significant service of integrating these items to deliver a working solution such that, in the context of the actual contract, there is a single performance obligation to provide that solution.

## Notes to the consolidated financial statements

For the year ended 31 December 2021 (expressed in thousands of Euroland currency units, except per share amounts)

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IFRS 15.35(c) The Group has assessed that control of these solutions transfers to the customer over time. This is because each solution is unique to the customer (has no alternative use) and the terms of the contract state the Group is entitled to a right to payment for the work completed to date. Revenue for these performance obligations is recognised as the customisation or integration work is performed, using the cost-to-cost method to estimate progress towards completion. Costs are generally incurred are considered to be proportionate to the entity's performance, so the cost-to-cost method provides a faithful depiction of the transfer of goods and services to the customer. The cost of uninstalled materials is excluded from the calculation because the Group assesses that including these costs could overstate its progress towards delivering the solution.

IFRS 15.B19

### Customer loyalty programme

IFRS 15.119(e) The Group's retail division operates a customer loyalty incentive programme. For each CU 100 spent, customers obtain one loyalty point which they can redeem to receive discounts on future purchases. Loyalty points are considered to be a separate performance obligation as they provide customers with a material right they would not have received otherwise. Unused points expire if not used within two years. The Group allocates the transaction price between the material right and other performance obligations identified in a contract on a relative stand-alone selling price basis. The amount allocated to the material right is initially recorded as a contract liability and is later recognised in revenue when the points are redeemed by the customer.

IFRS 15.B46 The Group's experience is that a portion of the loyalty points will expire without being used ('breakage'). The Group recognises revenue from expected breakage in proportion to the points redeemed and trues-up this estimate when points expire. The Group has assessed it is highly improbable a significant reversal of revenue will arise if actual experience differs from expectations and therefore no further revenue constraint is needed.

### Warranty arrangements

IFRS 15.B28 The Group provides a basic one-year product warranty on its telecommunications hardware whether sold on a stand-alone basis or as part of an integrated telecommunications system. Under the terms of this warranty customers can return the product for repair or replacement if it fails to perform in accordance with published specifications. These assurance-type warranties are not considered to be performance obligations so revenue is not allocated to them. The estimated costs of serving these warranties are recognised as provisions under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

### After-sales Services

IFRS 15.35(a)  
IFRS 15.124(a) The Group enters into fixed price maintenance and extended warranty contracts with its customers for non-cancellable terms between one and three years in length. Customers are required to pay in advance for each twelve-month service period. Payments received in advance of performance obligations being satisfied are recognised as contract liabilities.

IFRS 15.124(b)  
IFRS 15.35(a)  
IFRS 15.124(a)

- **Maintenance contracts** – these agreements provide customers with regularly scheduled maintenance on telecommunications hardware purchased from the Group. The contracts consist of a single performance obligation that is transferred over time (ie the contract period) because they involve a series of services that are substantially the same and the benefit of each service is received and consumed immediately. Revenue is recognised over time based on the ratio between the number of hours of maintenance services provided in the current period and the total number of such hours expected to be provided under each contract. This method best depicts the transfer of services to the customer because: (a) details of the services to be provided are specified by management in advance as part of its published maintenance program, and (b) the Group has a long history of providing these services to its customers, allowing it to make reliable estimates of the total number of hours involved in providing the service.

IFRS 15.B32  
IFRS 15.B18

- **Extended warranty program** – these agreements cover repairs and after-sales support for telecommunications hardware outside the Group's standard warranty period. This service involves an indeterminate number of acts as the Group is required to 'stand ready' to perform whenever a request falling within the scope of the program is made by a customer. The benefits of the Group standing ready are received and consumed immediately and the service has therefore been assessed as a single performance obligation that is transferred over time (ie the warranty period). Revenue is recognised on a straight-line basis over the term of the contract.



This method best depicts the transfer of services to the customer as (a) the company's historical experience demonstrates no statistically significant variation in the quantum of services provided in each year of a multi-year contract, and (b) no reliable prediction can be made as to if and when any individual customer will require service.

IFRS 15.B28  
IFRS 15.B29

**Guidance note:** The Group provides both standard-type warranties accounted for under IAS 37 and extended-type warranties treated as separate performance obligations under IFRS 15. When determining the nature of warranty-related promises, an entity considers:

- whether the customer has the option to separately purchase the warranty
- whether all or part of the warranty provides the customer with an additional service beyond the basic assurance that it will perform in accordance with published specifications.

#### Consulting and IT outsourcing services

IFRS 15.35(a)  
IFRS 15.124(a)  
IFRS 15.107

The Group provides consulting services relating to the design of telecommunications systems strategies and IT security. These involve developing a customer-specific design (no alternative use) with billings based on a specified payment schedule. Revenue is recognised over time if the schedule ensures the Group is entitled to payment for its performance to date throughout the contract period (including a profit margin that, in percentage terms, is equal to or more than the final expected profit margin). In other cases the payment schedule enables the Group to recover at least its costs at all times in the contract but not necessarily a full or proportionate profit margin. In these cases, taking into consideration the applicable contract law, the Group does not have an enforceable right to payment for performance completed to date and recognises revenue only on delivery and acceptance of the final design.

Revenue for over-time contracts is recognised on a time-and-materials basis as services are provided and costs are expensed as incurred. Amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as accounts receivable if only the passage of time is required before payment of these amounts will be due or as contract assets if payment is conditional on future performance. For the point-in-time contracts, materials and supplies are recognised as inventory and other directly attributable costs are initially recognised as contract fulfilment assets. These costs are expensed on delivery and acceptance (ie when the related revenue is recognised).

IFRS 15.B18

The Group also provides IT outsourcing services including payroll and accounts payable transaction processing to customers in exchange for a fixed monthly fee. These contracts involve a series of services that are substantially the same and the benefit of each service is received and consumed immediately. These contracts therefore consist of a single performance obligation for which control is transferred over time and revenue is recognised on a straight-line basis over the term of each contract. This method provides a faithful depiction of the transfer of goods or services because the work required does not vary significantly from month-to-month.

#### Construction of telecommunication systems

IFRS 15.35(b)  
IFRS 15.74

The Group enters into contracts for the design, development and installation of telecommunication systems in exchange for a fixed fee. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation. The Group recognises the related revenue over time because the systems are constructed at the customer sites and the customer controls the asset as it is constructed. When a contract also includes promises to perform after-sales services, these services represent a second performance obligation that is also satisfied over time (for the same reasons as the Group's maintenance contracts) but over a different period. The total transaction price is allocated between the two distinct performance obligations based on relative stand-alone selling prices.

## Notes to the consolidated financial statements

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- IFRS 15.39  
IFRS 15.41  
IFRS 15.45
- To depict the Group's progress in satisfying these performance obligations, and to establish when and to what extent revenue can be recognised, the Group measures its progress by comparing actual hours spent to date with the total estimated hours required to design, develop, and install each system. The hours-to-hours basis provides the most faithful depiction of the transfer of goods and services to each customer due to the Group's ability to make reliable estimates of the total number of hours required to perform, arising from its significant historical experience constructing similar systems. In the early stage of some of these contracts the Group is unable to make a reliable estimate of the outcome of the project but still expects to recover its costs. The Group then recognises revenue equal to the costs incurred until it can make a reliable estimate.
- IFRS 15.53  
IFRS 15.56
- Some contracts include bonus payments which the Group can earn by completing a project in advance of a targeted delivery date. At the inception of each contract the Group begins by estimating the amount of the bonus to be received using the "most likely amount" approach. The bonus is included in the Group's estimate of the transaction price if it is expected to be received but the amount is constrained to the extent necessary to ensure it is highly probable that no significant reversal of revenue will arise in future if the bonus is not actually received. In making this assessment the Group considers its historical record of performance on similar contracts, whether the Group has access to the labour and materials resources needed to exceed the agreed-upon completion date, and the potential impact of other reasonably foreseen constraints. The Group updates its estimates of the transaction price at each period end and adjusts revenue accordingly.
- IFRS 15.91
- These arrangements include detailed customer payment schedules. When payments received from customers exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the consolidated statement of financial position under other liabilities (see Note 25).
- The construction of telecommunication systems normally takes 10–12 months from commencement of design through to completion of installation. As the period of time between customer payment and performance will always be one year or less, the Group applies the practical expedient in IFRS 15.63 and does not adjust the promised amount of consideration for the effects of financing.
- IFRS 15.94
- In obtaining these contracts, the Group incurs a number of incremental costs, such as commissions paid to sales staff. As the amortisation period of these costs, if capitalised, would be less than one year, the Group makes use of the practical expedient in IFRS 15 and expenses them as incurred.
- 4.8 Operating expenses**
- IAS 37.14
- Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred. Expenditure for warranties is recognised when the Group incurs an obligation, which is typically when the related goods are sold.
- 4.9 Borrowing costs**
- IAS 23.8
- Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs (see Note 27).

**4.10 Profit or loss from discontinued operations**IFRS 5 Appendix A  
IFRS 5.33(a)  
IFRS 5.32

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. A discontinued operation represents a separate major line of the business. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal group(s) constituting the discontinued operation (see also Note 4.21 and Note 20).

**4.11 Goodwill**

IFRS 3 Appendix A

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 4.15 for a description of impairment testing procedures.

**4.12 Other intangible assets****Initial recognition of other intangible assets****Brand names and customer lists**IFRS 3.18  
IAS 38.27

Brand names and customer lists acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values.

**Internally developed software**

IAS 38.54

Expenditure on the research phase of projects to develop new customised software for IT and telecommunication systems is recognised as an expense as incurred.

IAS 38.57

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet all of the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the software, and
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

**Subsequent measurement**IAS 38.72  
IAS 38.74  
IAS 38.118(a)  
IAS 38.118(b)

All finite-lived intangible assets, including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 4.15. The following useful lives are applied:

- software: 3-5 years
- brand names: 15-20 years
- customer lists: 4-6 years.

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing as described in Note 4.15.

IAS 38.118(d)

Amortisation has been included within depreciation, amortisation and impairment of non-financial assets.

IAS 38.20

Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred.

IAS 38.113

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

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### 4.13 Property, plant and equipment

#### Land

IAS 16.29  
IAS 16.31  
IAS 16.39–40  
IAS 16.73(a)  
IAS 16.58

Land owned is stated at revalued amounts. Revalued amounts are fair values based on appraisals prepared by external professional valuers once every two years or more frequently if market factors indicate a material change in fair value (see Note 35.2). Any revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent any revaluation decrease or impairment loss (see Note 4.15) has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

As no finite useful life for land can be determined, related carrying amounts are not depreciated.

#### Buildings, IT equipment and other equipment

IAS 16.15–16  
IAS 16.73(a)  
IAS 16.29  
IAS 16.30

Buildings, IT equipment and other equipment (comprising fittings and furniture) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management. Buildings and IT equipment also include leasehold property held under a finance lease (see Note 4.14). Buildings, IT equipment and other equipment are subsequently measured at cost less accumulated depreciation and impairment losses.

IAS 16.43  
IAS 16.73(b)  
IAS 16.73(c)

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of buildings, IT equipment and other equipment. The following useful lives are applied:

- buildings: 25–50 years
- IT equipment: 2–5 years
- other equipment: 3–12 years.

IFRS 16.31

In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

IAS 16.68  
IAS 16.71

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss either within other income or other expenses.

### 4.14 Leased assets

#### The Group as a lessee

IFRS 16.59(a)(c)

The Group makes the use of leasing arrangements principally for the provision of the main warehouse and related facilities, office space, and IT equipment and motor vehicles (although the Group currently has no motor vehicles). The rental contracts for offices are typically negotiated for terms of between 3 and 20 years and some of these have extension terms. Lease terms for office fixtures and equipment and motor vehicles have lease terms of between 6 months and 6 years without any extension terms. The Group does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis and contain a wide variety of different terms and conditions such as purchase options and escalation clauses.

IFRS 16.9

The Group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

- IFRS 16.15 Some lease contracts contain both lease and non-lease components. These non-lease components are usually associated with facilities management services at offices and servicing and repair contracts in respect of motor vehicles. The Group has elected to not separate its leases for offices into lease and non-lease components and instead accounts for these contracts as a single lease component. For its other leases, the lease components are split into their lease and non-lease components based on their relative stand-alone prices.
- Measurement and recognition of leases as a lessee**
- IFRS 16.24 At lease commencement date, the Group recognises a right-of-use asset and a lease liability in its consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).
- IFRS 16.32-33 The Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.
- IFRS 16.26 At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease. The incremental borrowing rate is the estimated rate that the Group would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Group.
- IFRS 16.27 Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.
- IFRS 16.36(a)-(b) Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.
- IFRS 16.39-41 The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Group's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.
- IFRS 16.42-43 Payments under leases can also change when there is either a change in the amounts expected to be paid under residual value guarantees or when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to lease payments takes effect and the revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate. Except for where the change in lease payments results from a change in floating interest rates, in which case the discount rate is amended to reflect the change in interest rates.

## Notes to the consolidated financial statements

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IFRS 16.44 To respond to business needs, particularly in the demand for office space, the Group will enter into negotiations with landlords to either increase or decrease available office space or to renegotiate amounts payable under the respective leases. In some instances, the Group is able to increase office capacity by taking additional floors available and therefore agrees with the landlord to pay an amount that is commensurate with the stand-alone pricing adjusted to reflect the particular contract terms. In these situations, the contractual agreement is treated as a new lease and accounted for accordingly.

IFRS 16.45 In other instances, the Group is able to negotiate a change to a lease such as reducing the amount of office space taken, reducing the lease term or by reducing the total amount payable under the lease, both of which were not part of the original terms and conditions of the lease. In these situations, the Group does not account for the changes as though there is a new lease. Instead, the revised contractual payments are discounted using a revised discount rate at the date the lease is effectively modified. For the reasons explained above, the discount rate used is the Group's incremental borrowing rate determined at the modification date, as the rate implicit in the lease is not readily determinable.

IFRS 16.46 The remeasurement of the lease liability is dealt with by a reduction in the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease for lease modifications that reduce the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss. The right-of-use asset is adjusted for all other lease modifications.

IFRS 16.60 The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. These leases relate to items of office equipment such as desks, chairs, and certain IT equipment. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

### The Group as a lessor

IFRS 16.61 As a lessor the Group classifies its leases as either operating or finance leases.

IFRS 16.62 The Group assessed whether it transfers substantially all the risks and rewards of ownership. Those assets that do not transfer substantially all the risks and rewards are classified as operating leases.

Rental income is accounted for on a straight-line basis over the lease term and is included in revenue due to its operating nature.

### 4.15 Impairment testing of goodwill, other intangible assets and property, plant and equipment

IAS 36.66 For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill.

IAS 36.90 Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. IAS 36.15 All other individual assets or cash-generating units are tested for impairment whenever events or IAS 36.10(b) changes in circumstances indicate the carrying amount may not be recoverable. IAS 36.9

IAS 36.59  
IAS 36.18  
IAS 36.30–31

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures is directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

IAS 36.104

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

IAS 36.110  
IAS 36.124

With the exception of goodwill, all assets are subsequently reassessed for indications an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

#### 4.16 Investment property

IAS 40.5  
IAS 40.75(a)

Investment properties are properties held to earn rentals or for capital appreciation, or both, and are accounted for using the fair value model.

IAS 40.33  
IAS 40.35

Investment properties are revalued annually with resulting gains and losses recognised in profit or loss. These are included in the consolidated statement of financial position at their fair values. See Note 35.2.

#### 4.17 Financial instruments

##### Recognition and derecognition

IFRS 7.21  
IFRS 9.3.1.1

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

IFRS 9.3.2.3  
IFRS 9.3.3.1

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

##### Classification and initial measurement of financial assets

IFRS 9.5.1.1  
IFRS 9.5.1.3

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

IFRS 9.5.2.1

Financial assets, other than those designated and effective as hedging instruments, are classified into one of the following categories:

- amortised cost
- fair value through profit or loss (FVTPL), or
- fair value through other comprehensive income (FVOCI).

In the periods presented the Group does not have any financial assets categorised as FVOCI.

IFRS 9.4.1.1

The classification is determined by both:

- the entity's business model for managing the financial asset, and
- the contractual cash flow characteristics of the financial asset.

IFRS 7.20(a)

All revenue and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

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### Subsequent measurement of financial assets

#### Financial assets at amortised cost

IFRS 9.4.1.2

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

#### Financial assets at fair value through profit or loss (FVTPL)

IFRS 9.4.1.4

Financial assets held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at FVTPL. Further, irrespective of the business model used, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

IFRS 9.4.1.4

The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in XY Ltd and listed equity securities at FVOCI. The fair value was determined in line with the requirements of IFRS 13 'Fair Value Measurement'.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

**Guidance note:** The reporting entity does not have any assets classified at FVOCI, and so this section would not be required. However, it is included for those entities where it may be relevant. The policy below refers to debt assets which have solely payment of principal and interest cash flows in a business model which is held to collect and sell. A further potential category exists of equity FVOCI where the policy would not include recycling.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset – however there is an exception to this, which is an irrevocable option to present subsequent changes in the fair value of an investment in equity, in which case there is no recycling even at the time of derecognition, except for dividend income recognised in profit or loss.

#### Financial assets at fair value through other comprehensive income (FVOCI)

IFRS 9.4.1.2A

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in OCI will be recycled upon derecognition of the asset.



**Impairment of financial assets**

IFRS 9.5.1

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category (ie Stage 1) while 'lifetime expected credit losses' are recognised for the second category (ie Stage 2).

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**Guidance note:** Credit losses are defined as the difference between all the contractual cash flows that are due to an entity and the cash flows it actually expects to receive ('cash shortfalls'). This difference is discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

**Trade and other receivables and contract assets**IFRS 9.5.15  
IFRS 9B.5.35

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 34.2 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

**Guidance note:** The assessment of impairment for trade receivables can either be done individually or collectively and that assessment should be based on how an entity manages its credit risk. If an entity has a small number of receivables with large value and these receivables are managed on an account basis (ie individually) it may not be appropriate in that case to base the impairment on a provision matrix as such a matrix would unlikely be in line with the expected credit loss of the individual receivable.

**Classification and measurement of financial liabilities**IFRS 9.5.11  
IFRS 9.4.2.2

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

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IFRS 9.5.3.1 IFRS 9.4.2.1 IFRS 9.5.3.2	<p>Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).</p> <p>All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.</p>
IFRS 9.6.4.1	<p><b>Derivative financial instruments and hedge accounting</b></p> <p>Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:</p> <ul style="list-style-type: none"><li>• there is an economic relationship between the hedged item and the hedging instrument</li><li>• the effect of credit risk does not dominate the value changes that result from that economic relationship, and</li><li>• the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.</li></ul>
IFRS 7.21A	<p>For the reporting periods under review, the Group has designated certain forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate foreign currency exchange risk arising from certain highly probable sales transactions denominated in foreign currency.</p> <p>All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the consolidated statement of financial position.</p>
IFRS 9.6.5.11	<p>To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.</p>
IFRS 9.6.5.11(d)	<p>At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.</p>
IFRS 9.6.5.12	<p>If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.</p>
IAS 2.36(a) IAS 2.9 IAS 2.10–15 IAS 2.25 IAS 2.6	<p><b>4.18 Inventories</b></p> <p>Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any directly attributable selling expenses.</p>

**4.19 Income taxes**

- IAS 12.5 Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.
- IAS 12.46 The calculation of current and deferred tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method. The carrying amounts of deferred tax are reviewed at the end of each reporting period and adjusted if needed.
- IAS 12.24 Deferred tax assets are recognised to the extent it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 specifies limited exemptions. As a result of these exemptions the Group does not recognise deferred tax on temporary differences relating to goodwill, or to its investments in subsidiaries. The Group does not offset deferred tax assets and liabilities unless it has a legally enforceable right to do so and intends to settle on a net basis.

**4.20 Cash and cash equivalents**

- IAS 7.46 Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included in liabilities.

**4.21 Non-current assets and liabilities classified as held for sale and discontinued operations**

- IFRS 5.15  
IFRS 5.5 Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.
- IFRS 5.33(a) Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations (see Note 4.10).

**4.22 Equity, reserves and dividend payments**

Share capital represents the nominal (par) value of shares that have been issued.

Share premium includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

- IAS 1.79(b) Other components of equity include the following:
- **revaluation reserve** – comprises gains and losses from the revaluation of land (see Note 4.13)
  - **remeasurement of net defined benefit liability** – comprises the actuarial losses from changes in demographic and financial assumptions and the return on plan assets (see Note 4.23)
  - **translation reserve** – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into CU (see Note 4.5)
  - **reserves for cash flow hedges** – comprises gains and losses relating to these types of financial instruments (see Note 4.17).

Retained earnings includes all current and prior period retained profits and share-based employee remuneration (see Note 4.24).

## Notes to the consolidated financial statements

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- IAS 24.3 All transactions with owners of the parent are recorded separately within equity.
- IFRIC 17.10 Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

### 4.23 Post-employment benefits and short-term employee benefits

#### Post-employment benefit plans

The Group provides post-employment benefits through various defined contribution and defined benefit plans.

#### Defined contribution plans

The Group pays fixed contributions into independent entities in relation to several retirement plans and insurances for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that related employee services are received.

#### Defined benefit plans

- IAS 19.135(a) Under the Group's defined benefit plans, the amount of pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

- IAS 19.135(b) The liability recognised in the consolidated statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets.

- IAS 19.76 Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth rate and mortality. Discount factors are determined close to the end of each annual reporting period by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.

- IAS 19.120 Service cost on the Group's defined benefit plan is included in employee benefits expense.  
IAS 19.87 Employee contributions, all of which are independent of the number of years of service, are treated  
IAS 19.122 as a reduction of service cost. Net interest expense on the net defined benefit liability is included in finance costs. Gains and losses resulting from remeasurements of the net defined benefit liability are included in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

#### Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at the undiscounted amount the Group expects to pay as a result of the unused entitlement.

### 4.24 Share-based employee remuneration

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans are cash-settled.

- IFRS 2.10 All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.
- IFRS 2.11 Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets and performance conditions).

IFRS 2.8 IFRS 2.20 IFRS 2.19	All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings <sup>3</sup> . If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.
IFRS 2.20 IFRS 2.23	Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.
	Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

#### 4.25 Provisions, contingent assets and contingent liabilities

### Telling the COVID Story

An entity may have an insurance policy that covers losses from business interruption. If the entity was forced to temporarily cease operations as a result of COVID-19 during the reporting period it may be entitled to recover some or all of its losses from its insurance provider. Such claims would be contingent assets in the financial statements if the entity has a clear right to reimbursement. While contingent gains/assets are not recognised in an entity's financial statements unless they are virtually certain, in accordance with IAS 37, they would be disclosed in the notes to the financial statements when their existence is likely. They can be recognised as income in the financial statements only when virtually certain, for example on acceptance of the claim by the insurer. When considering insurance claims, the insurers ability to settle the claim on a timely basis should be assessed.

IAS 37.14	Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.
IAS 37.72	Restructuring provisions are recognised only if a detailed formal plan for the restructuring exists and management has either communicated the plan's main features to those affected or started implementation. Provisions are not recognised for future operating losses.
IAS 37.36 IAS 37.45	Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.
IAS 37.33	Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

<sup>3</sup> IFRS 2 does not stipulate where in equity the credit entry in an equity-settled transaction should be recognised. It is acceptable for the credit to be taken to retained earnings, however, this is subject to national law. Alternatively, it could be taken to a separate equity reserve. The accounting upon the exercise of the share options may also depend on applicable national law relating to share capital.

IAS 37.27–28 No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

#### 4.26 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the Group's consolidated financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, revenue and expenses.

##### Significant management judgements

### Telling the COVID Story

The financial statements need to provide enough transparency to enable users to understand the key assumptions that have been adopted so they can make their own assessment of their reasonableness. Therefore, it is reasonable to provide more detail in those judgements that may have been impacted by COVID-19 or additional judgements made in relation to areas impacted by COVID-19. In addition, there may be additional judgements made in this year's financial statements that now need to be disclosed, for example going concern, if the going concern decision was a 'close call'. Furthermore, as a result of COVID-19, the range of reasonably possible assumptions underlying judgements and estimates in other areas of financial statements may be wide.

IAS 1.122 **Guidance note:** IAS 1 provides general guidance on disclosures about judgements. Other Standards, such as IFRS 7, IFRS 12 'Disclosure of Interests in Other Entities' and IFRS 15 supplement IAS 1 by requiring disclosure about particular judgements.

The following are examples of disclosures for management judgements under IAS 1.122. An entity should disclose judgements that have the most significant effect on the amounts recognised in the financial statements. These can be disclosed in either the accounting policies or the other notes to the financial statements.

IAS 1.122 The following are the judgements made by management in applying the accounting policies of the Group that have the most significant effect on these consolidated financial statements.

#### Recognition of contract revenue over time or at a point in time

For some of the Group's contracts with customers significant judgement is required to assess whether control of the related performance obligation(s) transfers to the customer over time or at a point in time in accordance with IFRS 15. Specifically, for contracts that involve developing a customer-specific asset with no alternative use to the Group, judgement is needed to determine whether the Group is entitled to payment for its performance throughout the contract period if the customer sought to cancel the contract. This relates mainly to consulting contracts for design services which represent CU 110,810 (2020: CU 109,302) of the Group's revenue. In making this assessment the Group compares the amount it is entitled to collect based on the agreed payment schedule to the estimated level of costs at all stages in the contract in order to estimate the percentage margin it would retain on cancellation. The Group then compares the lowest margin percentage through the contract period to the expected margin percentage on completion. If the lowest expected margin percentage is at least equal to the final percentage margin, within a tolerance of 2%, the Group assesses it has a right to payment for its performance throughout the contract period and recognises revenue over time. In the majority of cases the payment schedule is sufficiently front-loaded to meet this condition. If the condition is not met the Group recognises revenue on only completion. In making this judgement the Group has considered the applicable contract law in the event of a customer seeking to cancel a contract without having the right to do so and has concluded that the court of law would not necessarily enforce specific contract performance.

#### Capitalisation of internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired (see Note 4.12).

#### Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions (see Note 4.19).

#### Control assessment

See Note 6.1.

#### Estimation uncertainty

### Telling the COVID Story

Similar to judgements made in the financial statements, there will be areas of estimation that may have been made in relation to the impact of COVID-19. Specific areas are discussed with their appropriate notes.

IAS 1.125

**Guidance note:** Guidance note: IAS 1 explains the overall requirements for disclosures about estimates. The focus is on assumptions the entity makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, when there is a significant risk of a material adjustment within the next financial year.

IAS 1 requires disclosure about the assumptions made and the nature and carrying amounts of the assets and liabilities affected. It does not prescribe the exact information an entity should disclose about these assumptions but gives examples including:

- the nature of the assumptions
- sensitivity of carrying amounts
- expected resolution/range of reasonably possible outcomes, and
- changes made to past assumptions.

Some Standards also include disclosure requirements about particular estimates. For example:

- IAS 36 'Impairment of Assets' specifies disclosures about impairment testing
- IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' requires disclosures about uncertainties and major assumptions affecting provisions
- IFRS 13 'Fair Value Measurement' requires information about how fair values have been estimated.

## Notes to the consolidated financial statements

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IAS 1.125

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

### Impairment of non-financial assets and goodwill

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 4.15). In 2021, the Group recognised an impairment loss on goodwill (see Note 10) and internally generated software (see Note 11).

### Useful lives and residual values of depreciable assets

Management reviews its estimate of the useful lives and residual values of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

### Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

### Business combinations

Management uses various valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination (see Note 4.3). In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability (see Note 5.1).

### Construction contract revenue

Recognised amounts of construction contract revenues and related receivables reflect management's best estimate of each contract's outcome and stage of completion. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty (see Note 4.7).

### Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses amount (as analysed in Note 22.3).

### Fair value measurement

Management uses various valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 35).



**Leases – determination of the appropriate discount rate to measure lease liabilities**

As noted above, the Group enters into leases with third-party landlords and as a consequence the rate implicit in the relevant lease is not readily determinable. Therefore, the Group uses its incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over similar terms which requires estimations when no observable rates are available.

The Group consults with its main bankers to determine what interest rate they would expect to charge the Group to borrow money to purchase a similar asset to that which is being leased. These rates are, where necessary, then adjusted to reflect the credit worthiness of the entity entering into the lease and the specific condition of the underlying leased asset. The estimated incremental borrowing rate is higher than the parent company for leases entered into by its subsidiary undertakings.

**Effect of estimation uncertainty:**

The effect of a change in the incremental borrowing rate for leases entered into during the reporting period is shown in the table below:

Estimate	Change in estimate	Effect on right-of-use asset	Effect on lease liability
<b>Incremental borrowing rate</b>	1% increase in the rate	Reduces by CU 1,100	Reduces by CU 1,100

This estimate is not revised in future periods and the disclosure is provided for useful information.

## 5. Acquisitions and disposals

### 5.1 Acquisition of Goodtech GmbH in 2021

IFRS 3.B64 (a-d)

On 31 March 2021, the Group acquired 100% of the equity instruments of Goodtech GmbH (Goodtech), a Hamburg (Euroland) based business, thereby obtaining control. The acquisition was made to enhance the Group's position in the online retail market for computer and telecommunications hardware in Euroland. Goodtech is a significant business in Euroland in the Group's targeted market.

**Guidance note:** Cross-referencing to external information is a way an entity can refer readers to complementary data outside the financial statements, for example on the company's website. This information is not necessary to comply with its statutory requirements; it is there as additional information which complements the financial statements. An entity does not need to state this when providing the cross-reference, it should be obvious from the nature of the information.

Signposting to information outside the financial statements can include:

- standing data (eg share option terms)
- additional information supporting financial statement disclosures, and
- other connected but not financial data.

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The details of the business combination as follows:

	<b>Fair value of consideration transferred</b>	
IFRS 3.B64(f)	Amount settled in cash	16,058
IFRS 3.B64(f)(i)	Fair value of contingent consideration	600
IFRS 3.B64(f)(iii)		
IAS 7.40(a)	<b>Total</b>	<b>16,658</b>
	<b>Recognised amounts of identifiable net assets</b>	
IFRS 3.B64(i)	Property, plant and equipment (Note 12)	4,622
IAS 7.40(d)	Intangible assets (Note 11)	5,255
	Investment property (Note 14)	75
	<b>Total non-current assets</b>	<b>9,952</b>
	Inventories	8,995
	Trade and other receivables	7,792
IAS 7.40(c)	Cash and cash equivalents	567
	<b>Total current assets</b>	<b>17,354</b>
	Borrowings	(3,478)
	Deferred tax liabilities	(632)
	<b>Total non-current liabilities</b>	<b>(4,110)</b>
	Provisions	(1,320)
	Other liabilities	(2,312)
	Trade and other payables	(5,344)
	<b>Total current liabilities</b>	<b>(8,976)</b>
	<b>Identifiable net assets</b>	<b>14,220</b>
	<b>Goodwill on acquisition (Note 10)</b>	<b>2,438</b>
IAS 7.40(b)	Consideration transferred settled in cash	16,058
IAS 7.40(c)	Cash and cash equivalents acquired	(567)
IAS 7.42	<b>Net cash outflow on acquisition</b>	<b>15,491</b>
	Acquisition costs charged to expenses	223

**Consideration transferred**

IFRS 3.B64 (f)(i) The acquisition of Goodtech was settled in cash amounting to CU 16,058.

IFRS 3.B64 (g)(i-iii)  
IFRS 3.B64(j)  
IFRS 3.B64(m)

The purchase agreement included an additional consideration of CU 1,310, payable only if the average profits of Goodtech for 2021 and 2022 exceed a target level agreed by both parties. The additional consideration will be paid on 1 April 2023. The CU 600 of contingent consideration liability recognised represents the present value of the Group's probability-weighted estimate of the cash outflow. It reflects management's estimate of a 50% probability that the targets will be achieved and is discounted using an interest rate of 4.4%<sup>4</sup>. As at 31 December 2021, there have been no changes in the estimate of the probable cash outflow but the liability has increased to CU 620 due to the change in fair value.

<sup>4</sup> The determination of the acquisition-date fair value of the contingent consideration should consider the expected outcome of the contingency. This example illustrates one possible approach in estimating the fair value of the contingent consideration.

Acquisition-related costs amounting to CU 223 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss, as part of other expenses.

#### Identifiable net assets

IFRS 3.B64 (h)(i-iii) The fair value of the trade and other receivables acquired as part of the business combination amounted to CU 7,792, with a gross contractual amount of CU 7,867. As of the acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected amounted to CU 75.

#### Goodwill

IFRS 3.B64(e)  
IFRS 3.B64(k) Goodwill of CU 2,438 is primarily growth expectations, expected future profitability, the substantial skill and expertise of Goodtech's workforce and expected cost synergies. Goodwill has been allocated to the retail segment and is not expected to be deductible for tax purposes.

**Guidance note:** If goodwill arising from a business combination has not been fully allocated to a cash-generating-unit or group of units, an entity shall disclose that fact together with the reason why that amount remains unallocated.

#### Goodtech's contribution to the Group results

IFRS 3.B64 (q)(i-iii) Goodtech incurred a loss of CU 20 for the nine months from 31 March 2021 to the reporting date, primarily due to integration costs. Revenue for the nine months to 31 December 2021 was CU 24,800.

If Goodtech had been acquired on 1 January 2021, revenue of the Group for 2021 would have been CU 212,000, and profit for the year would have increased by CU 14,000.

#### 5.2 Acquisition of Good Buy Inc. in 2020

IFRS 3.B64 (a-d) On 30 June 2020, the Group acquired 100% of the equity instruments of Good Buy Inc. (Good Buy), a Delaware (USA) based business, thereby obtaining control. The acquisition of Good Buy was made to enhance the Group's position as an online retailer for computer and telecommunications hardware in the US market.

## Notes to the consolidated financial statements

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The details of the business combination are as follows:

	<b>Fair value of consideration transferred</b>	
IFRS 3.B64(f) IFRS 3.B64(f)(i) IAS 7.40(a)	Amount settled in cash	<b>12,420</b>
	<b>Recognised amounts of identifiable net assets</b>	
IFRS 3.B64(i) IAS 7.40(d)	Property, plant and equipment (Note 12)	3,148
	Intangible assets (Note 11)	3,005
	<b>Total non-current assets</b>	<b>6,153</b>
	Inventories	5,469
	Trade and other receivables	5,200
IAS 7.40(c)	Cash and cash equivalents	345
	<b>Total current assets</b>	<b>11,014</b>
	Deferred tax liabilities	(435)
	<b>Total non-current liabilities</b>	<b>(435)</b>
	Provisions	(1,234)
	Other liabilities	(657)
	Trade and other payables	(4,990)
	<b>Total current liabilities</b>	<b>(6,881)</b>
	<b>Identifiable net assets</b>	<b>9,851</b>
	<b>Goodwill on acquisition (Note 10)</b>	<b>2,569</b>
IAS 7.40(b)	Consideration transferred settled in cash	12,420
IAS 7.40(c)	Cash and cash equivalents acquired	(345)
IAS 7.42	<b>Net cash outflow on acquisition</b>	<b>12,075</b>
	Acquisition costs charged to expenses	76

### Consideration transferred

IFRS 3.B64(f)(i) The acquisition of Good Buy was settled in cash amounting to CU 12,420.

IFRS 3.B64(m) Acquisition-related costs amounting to CU 76 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss, as part of other expenses.

### Identifiable net assets

IFRS 3.B64 (h)(i-iii) The fair value of the trade and other receivables acquired as part of the business combination amounted to CU 5,200, with a gross contractual amount of CU 5,350. As of the acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected amounted to CU 150.

### Goodwill

IFRS 3.B64(e)  
IFRS 3.B64(k) Goodwill of CU 2,569 is primarily the sales force and the sales know-how of key personnel. Goodwill has been allocated to the retail segment and is not expected to be deductible for tax purposes.

**Good Buy's contribution to the Group results**

IFRS 3.B64 (q)(i-ii)

Good Buy contributed CU 9,540 of revenue and CU 400 to the consolidated profit for the six months from 1 July 2020 to 31 December 2020. If Good Buy had been acquired on 1 January 2020, revenue of the Group for 2020 would have been CU 196,000. However, due to lack of IFRS-specific data prior to the acquisition of Good Buy, pro-forma profit or loss of the combined entity for the complete 2020 reporting period cannot be determined reliably.

**5.3 Disposal of Highstreet Ltd in 2021**

See Note 6.3 below.

**6. Interests in subsidiaries****6.1 Composition of the Group**IFRS 12.10(a)(i)  
IFRS 12.12

Set out below are the details of the subsidiaries held directly by the Group:

Name of the Subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group at period-end	
			2021	2020
Goodtech GmbH	Euroland	On-line retailer of computer and telecommunications hardware	100%	-
Good Buy Inc.	USA	On-line retailer of computer and telecommunications hardware	100%	100%
Tech Squad Ltd	Euroland	Design and sale of phone and intranet applications	80%	80%
Data Corp	UK	On-line sales of hardware and software products	100%	100%
Highstreet Ltd	UK	Design and sale of phone and intranet applications	-	100%

**Significant judgements and assumptions**IFRS 12.7  
IFRS 12.9

The Group holds 45% of the ordinary shares and voting rights in Equipe Consultants S.A. (Equipe). Two other investors each hold 15%. The remaining 25% is held by several other unrelated investors, none of whom own more than 2% individually. There are no arrangements for the other shareholders to consult one another or act collectively and past experience indicates that few of the other owners actually exercise their voting rights at all. The Group has appointed four of Equipe's Board of Directors out of a total of eleven.

IFRS 10.5-7  
IFRS 10.B41-B46

Management has reassessed its involvement in Equipe in accordance with IFRS 10's control definition and guidance. It has concluded it has significant influence but not outright control. In making its judgement, management considered the Group's voting rights, the relative size and dispersion of the voting rights held by other shareholders and the extent of recent participation by those shareholders in general meetings. Recent experience demonstrates that a sufficient number of the smaller shareholders participate in such a way that they, along with the two other main shareholders, have prevented the Group from having the practical ability to direct the relevant activities of Equipe unilaterally.

## Notes to the consolidated financial statements

For the year ended 31 December 2021 (expressed in thousands of Euroland currency units, except per share amounts)

### 6.2 Subsidiary with material non-controlling interests

IFRS 12.12(a) The Group includes one subsidiary, Tech Squad Ltd, with material<sup>5</sup> non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Total comprehensive income allocated to NCI		Accumulated NCI	
	2021	2020	2021	2020	2021	2020
Tech Squad Ltd	20%	20%	121	116	713	592

IFRS 12.B10(a) No dividends were paid to the NCI during the years ended 31 December 2021 and 2020.

IFRS 12.12(g)  
IFRS 12.B10(b) Summarised financial information for Tech Squad Ltd, before intragroup eliminations, is set out below:

	2021	2020
IFRS 12.B10(b) Non-current assets	5,019	5,182
Current assets	3,924	3,452
<b>Total assets</b>	<b>8,943</b>	<b>8,634</b>
Non-current liabilities	(3,806)	(3,402)
Current liabilities	(1,561)	(2,268)
<b>Total liabilities</b>	<b>(5,367)</b>	<b>(5,670)</b>
<b>Equity attributable to owners of the parent</b>	<b>2,863</b>	<b>2,372</b>
<b>Non-controlling interests</b>	<b>713</b>	<b>592</b>
	<b>2021</b>	<b>2020</b>
Revenue	7,658	7,116
Profit for the year attributable to owners of the parent	479	464
Profit for the year attributable to NCI	121	116
<b>Profit for the year</b>	<b>600</b>	<b>580</b>
<b>Other comprehensive income for the year (all attributable to owners of the parent)</b>	<b>6</b>	<b>4</b>
Total comprehensive income for the year attributable to owners of the parent	485	468
Total comprehensive income for the year attributable to NCI	121	116
<b>Total comprehensive income for the year</b>	<b>606</b>	<b>584</b>
	<b>2021</b>	<b>2020</b>
Net cash from operating activities	957	779
Net cash used in investing activities	(531)	(673)
Net cash from (used in) financing activities	446	(61)
<b>Net cash inflow</b>	<b>872</b>	<b>45</b>

<sup>5</sup> For the purposes of Illustrative Corporation Group it is assumed that the NCI are material to the Group. The thresholds are not intended to indicate what could be material to other entities.

**6.3 Losing control over a subsidiary during the reporting period**

On 30 September 2021, the Group disposed of its 100% equity interest in its subsidiary, Highstreet Ltd (Highstreet). The subsidiary was classified as held for sale in the 2020 consolidated financial statements (see Note 20).

IAS 7.40(b) The consideration was received fully in cash in 2021. At the date of disposal, the carrying amounts of Highstreet's net assets were as follows:

IAS 7.40(d)		
	Property, plant and equipment	2,475
	Total non-current assets	2,475
	Inventories	1,121
IAS 7.40(c)	Cash and cash equivalents	-
	Total current assets	1,121
	Provisions	(232)
	Borrowings	(8)
	Trade and other payables	(210)
	Total current liabilities	(450)
	<b>Total net assets</b>	<b>3,146</b>
IAS 7.40(a)	Total consideration received in cash	3,117
	Cash and cash equivalents disposed of	-
IAS 7.42	<b>Net cash received</b>	<b>3,117</b>
IFRS 10.25	<b>Loss on disposal</b>	<b>(29)</b>

IFRS 12.19(b) The loss on disposal is included in the loss for the year from discontinued operations in the consolidated statement of profit or loss. See Note 20.

**6.4 Interests in unconsolidated structured entities**

IFRS 12.24 The Group has no interests in unconsolidated structured entities.

## 7. Investments accounted for using the equity method

### Telling the COVID Story

An entity needs to determine whether there is any objective evidence that indicates there is an impairment in either investments in associates or joint ventures in accordance with IAS 28 ‘Investments in Associates and Joint Ventures’. This could be a result of the effects of COVID-19 and could impact the estimated future cash flows from the net investment. Anticipated future losses are not recognised, no matter how likely. Objective evidence the net investment in the joint venture or the associate is impaired includes data the entity might have observed about the following loss events:

- significant financial difficulty of the associate or joint venture
- a breach of contract, (eg failing to pay) by the associate or joint venture
- the entity granting to the associate or joint venture a concession that the entity would not otherwise consider
- its probable the associate or joint venture will become bankrupt or undergo a financial reorganisation, or
- the active market for the net investment disappears because of financial difficulties of the associate or joint venture.

### 7.1 Investment in joint venture

IFRS 12.21(a)

The Group has one material joint venture, Halftime Ltd (Halftime):

Name of the joint venture	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group at year end	
			2021	2020
Halftime Ltd	UK	On-line sales of hardware and software products	50%	50%

IFRS 12.21(b)(i)

The investment in Halftime is accounted for using the equity method in accordance with IAS 28.



IFRS 12.21(b)(ii)  
IFRS 12.B12-B13

Summarised financial information for Halftime is set out below:

		2021	2020
IFRS 12.B12(b)(ii)	Non-current assets	838	500
IFRS 12.B12(b)(i)	Current assets <sup>(a)</sup>	528	380
	<b>Total assets</b>	<b>1,366</b>	<b>880</b>
IFRS 12.B12(b)(iv)	Non-current liabilities <sup>(b)</sup>	(240)	(298)
IFRS 12.B12(b)(iii)	Current liabilities <sup>(c)</sup>	(160)	(138)
	<b>Total liabilities</b>	<b>(400)</b>	<b>(436)</b>
IFRS 12.B14	<b>Net assets</b>	<b>966</b>	<b>444</b>
IFRS 12.B13(a)	(a) Includes cash and cash equivalents	60	80
IFRS 12.B13(c)	(b) Includes financial liabilities (excluding trade and other payables and provisions)	(100)	-
IFRS 12.B13(b)	(c) Includes financial liabilities (excluding trade and other payables and provisions)	(80)	-
		<b>2021</b>	<b>2020</b>
IFRS 12.B12(b)(v)	<b>Revenue</b>	<b>1,200</b>	<b>730</b>
IFRS 12.B12(b)(vi) IFRS 12.B12(b)(ix)	<b>Profit and total comprehensive income for the year</b>	<b>522</b>	<b>258</b>
IFRS 12.B13(d)	<b>Depreciation and amortisation</b>	<b>30</b>	<b>20</b>
IFRS 12.B13(g)	<b>Tax expense</b>	<b>68</b>	<b>58</b>

IFRS 12.B14

A reconciliation of the above summarised financial information to the carrying amount of the investment in Halftime is set out below:

	2021	2020
Total net assets of Halftime	966	444
Proportion of ownership interests held by the Group	50%	50%
<b>Carrying amount of the investment in Halftime</b>	<b>483</b>	<b>222</b>

IFRS 12.B12(a)

No dividends were received from Halftime during the years ended 31 December 2021 and 2020.

IFRS 12.21(b)(iii)

Halftime is a private company; therefore no quoted market prices are available for its shares.

IFRS 12.23

The Group has no additional commitments relating to Halftime.

## 7.2 Investments in associates

IFRS 12.21(c)  
IFRS 12.B16

The Group has a 45% equity interest in Equipe and a 30% equity interest in Shopmore GmbH. Neither associate is individually material to the Group.

Summarised aggregated financial information of the Group's share in these associates is as follows:

		2021	2020
IFRS 12.B16(a)	Profit from continuing operations	130	12
IFRS 12.B16(c)	Other comprehensive income	2	-
	<b>Total comprehensive income</b>	<b>132</b>	<b>12</b>
IFRS 12.B16	<b>Aggregate carrying amount of the Group's interests in these associates</b>	<b>377</b>	<b>245</b>

## 8. Revenue

### Telling the COVID Story

The revenue of an entity might have declined as a result of the spread of the virus and the economic impact. By contrast, in some instances, revenue might have increased.

If an entity's contracts with its customers include variable components (eg discounts), the entity must consider whether its previous estimates in this regard continue to be appropriate. IFRS 15 'Revenue from Contracts with Customers' provides extensive guidance around variable consideration and the related constraint. It may be necessary for an entity to begin constraining its variable revenue even if this was not considered necessary prior to the COVID-19 pandemic.

As a result of COVID-19, an entity might:

- run a promotion in order to help maintain cash flows during temporary closure (eg some service-based businesses, like gyms, are offering customers a discount if they prepay for future services)
- offer refunds or credits to its customers for goods or services that cannot be used during this period of crisis (eg hotels or event venues, travel agencies, gyms), and/or
- increase the sales of gift cards that can be used at a later date when the crisis is over.

An entity should review its revenue accounting policies and estimates to make sure they are still applicable given the current circumstances.

Where goods and services have been or are being rendered to customers who are either based in regions impacted by COVID-19 or industries significantly impacted by the virus, an entity will need to assess whether collection is probable while evaluating new contracts. In the absence of such probability, an entity may not be able to recognise revenue until or unless payment is received and becomes non-refundable, because such contracts are unlikely to meet the criteria to apply the normal IFRS 15 approach.

Certain revenue contracts may also become less profitable, or even loss-making. For example, an entity might face penalties as a result of delays or incur increased costs that cannot be recovered due to replacing employees or finding alternative suppliers. Management needs to consider whether any contracts are in an 'onerous' position and whether a liability needs to be recognised.

For more information of accounting for revenue during the pandemic refer to our article '**Five accounting considerations relating to COVID-19**'.

IFRS 15.116

For 2021, revenue includes CU 2,718 (2020: CU 2,534) included in the contract liability balance at the beginning of the reporting period, and CU 134 (2020: CU 125) from performance obligations satisfied (or partially satisfied) in previous periods due to changes in transaction price.

**Guidance note:** As the Group does not enter into contracts with its customers where, once performance has occurred, the Group's right to consideration is dependent on anything other than the passage of time, the Group does not presently have any contract assets.

For purposes of these Example Financial Statements, it is assumed that changes to the Group's contract liabilities (ie deferred revenue) are attributable solely to the satisfaction of performance obligations. For other entities, where contract liability balances are affected by other significant factors, IFRS 15.118 requires these changes to be explained. For example, changes due to business combinations or a change in the time frame required for a performance obligation to be satisfied.

IFRS 15.115 The Group's revenue disaggregated by primary geographical markets is as follows:

	For the year ended 31 December 2021				
	Consulting	Service	Retail	Other	Total
Euroland (domicile)	88,648	14,512	57,678	2,943	163,781
United Kingdom	11,081	1,814	7,210	368	20,473
USA	9,973	1,633	6,489	331	18,426
Other countries	1,108	181	721	37	2,047
<b>Total</b>	<b>110,810</b>	<b>18,140</b>	<b>72,098</b>	<b>3,679</b>	<b>204,727</b>

	For the year ended 31 December 2020				
	Consulting	Service	Retail	Other	Total
Euroland (domicile)	87,442	14,266	46,143	3,004	150,855
United Kingdom	10,930	1,783	5,768	376	18,857
USA	9,837	1,605	5,191	338	16,971
Other countries	1,093	178	2,208	38	3,517
<b>Total</b>	<b>109,302</b>	<b>17,832</b>	<b>59,310</b>	<b>3,756</b>	<b>190,200</b>

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

	For the year ended 31 December 2021				
	Consulting	Service	Retail	Other	Total
Goods transferred at a point in time	24,378	3,991	15,862	809	45,040
Services transferred over time	86,432	14,149	56,236	2,870	159,687
<b>Total</b>	<b>110,810</b>	<b>18,140</b>	<b>72,098</b>	<b>3,679</b>	<b>204,727</b>

	For the year ended 31 December 2020				
	Consulting	Service	Retail	Other	Total
Goods transferred at a point in time	24,047	3,923	13,048	826	41,844
Services transferred over time	85,255	13,909	46,262	2,930	148,356
<b>Total</b>	<b>109,302</b>	<b>17,832</b>	<b>59,310</b>	<b>3,756</b>	<b>190,200</b>

IFRS 15.120 The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 31 December 2021:

	2022	2023	Total
Revenue expected to be recognised	1,575	788	2,363

Prepayments and other assets contain both deferred IT set-up costs and prepayment. IT set-up costs comprise between 1% and 2% of the total labour and materials costs incurred.

	31 December 2021	31 December 2020
<b>Current</b>		
Deferred customer set-up costs	109	107
Prepayments	297	315
<b>Other current assets</b>	<b>406</b>	<b>422</b>
<b>Non-current</b>		
Deferred customer set-up costs	185	160
<b>Total</b>	<b>591</b>	<b>582</b>

## Notes to the consolidated financial statements

For the year ended 31 December 2021 (expressed in thousands of Euroland currency units, except per share amounts)

### 9. Segment reporting

IFRS 8.22(a) Management currently identifies the Group's three service lines as its operating segments (see Note 4.6). The Group's Chief Operating Decision Maker (CODM) is its chief executive and she monitors the performance of these operating segments as well as deciding on the allocation of resources to them. Segmental performance is monitored using adjusted segment operating results.

IFRS 8.16 In addition, two minor operating segments are combined below under other segments. The main sources of revenue for this segment is the sale and disposal of used IT equipment the Group collects from its customers.

**Guidance note:** IFRS 8 'Operating Segments' requires the amount of each operating segment item to be disclosed using the measures reported to the chief operating decision maker (ie based on internal management information). The disclosures in these Example Financial Statements are therefore based on substantial assumptions, and so cannot be viewed as the only acceptable way of providing segment disclosures. It is therefore important to emphasise that segment reporting should be tailored to reflect the basis of the entity's internal management reporting.

Segment information for the reporting period is as follows:

	For the year ended 31 December 2021					
	Consulting	Service	Retail	Other	Total	
	<b>Revenue</b>					
IFRS 8.23(a)	From external customers	110,810	18,140	72,098	3,679	204,727
	Discontinued operations	-	-	9,803	-	9,803
IFRS 8.23(b)	From other segments	231	-	-	-	231
	<b>Segment revenues</b>	<b>111,041</b>	<b>18,140</b>	<b>81,901</b>	<b>3,679</b>	<b>214,761</b>
	Changes in inventories	(4,794)	-	(3,129)	-	(7,923)
IFRS 8.23(f)	Costs of materials	(17,368)	(5,442)	(22,040)	(1,398)	(46,248)
IFRS 8.23(f)	Employee benefits expense	(58,164)	(9,694)	(43,799)	(2,154)	(113,811)
IFRS 8.23(e)	Depreciation and amortisation of non-financial assets	(3,922)	(1,104)	(3,273)	(125)	(8,424)
IAS 36.129(a)	Impairment of non-financial assets	(1,669)	-	-	-	(1,669)
IFRS 8.23(f)	Other expenses	(5,911)	(30)	(1,333)	(10)	(7,284)
IFRS 8.23	<b>Segment operating profit</b>	<b>19,213</b>	<b>1,870</b>	<b>8,327</b>	<b>(8)</b>	<b>29,402</b>
IFRS 8.23	<b>Segment assets</b>	<b>75,057</b>	<b>18,326</b>	<b>56,107</b>	<b>2,521</b>	<b>152,011</b>
IFRS 8.23	<b>Segment liabilities</b>	<b>32,494</b>	<b>16,316</b>	<b>28,673</b>	<b>1,185</b>	<b>78,668</b>

		For the year ended 31 December 2020				
		Consulting	Service	Retail	Other	Total
		<b>Revenue</b>				
IFRS 8.23(a)	From external customers	109,302	17,832	59,310	3,756	190,200
	Discontinued operations	-	-	11,015	-	11,015
IFRS 8.23(b)	From other segments	110	-	-	-	110
		<b>109,412</b>	<b>17,832</b>	<b>70,325</b>	<b>3,756</b>	<b>201,325</b>
		(4,123)	-	(2,692)	-	(6,815)
IFRS 8.23(f)	Changes in inventories					
IFRS 8.23(f)	Costs of materials	(17,737)	(5,350)	(18,734)	(1,315)	(43,136)
IFRS 8.23(f)	Employee benefits expense	(58,487)	(9,542)	(38,148)	(2,010)	(108,187)
IFRS 8.23(e)	Depreciation and amortisation of non-financial assets	(3,578)	(596)	(3,084)	(133)	(7,391)
IAS 36.129(a)	Impairment of non-financial assets	(190)	-	-	-	(190)
IFRS 8.23(f)	Other expenses	(9,213)	(100)	(1,761)	(20)	(11,094)
IFRS 8.23	<b>Segment operating profit</b>	<b>16,084</b>	<b>2,244</b>	<b>5,906</b>	<b>278</b>	<b>24,512</b>
IFRS 8.23	<b>Segment assets</b>	<b>58,097</b>	<b>15,100</b>	<b>48,442</b>	<b>1,911</b>	<b>123,550</b>
IFRS 8.23	<b>Segment liabilities</b>	<b>29,763</b>	<b>14,994</b>	<b>29,110</b>	<b>1,095</b>	<b>74,962</b>

The Group's non-current assets (other than financial instruments, investments accounted for using the equity method, deferred tax assets and post-employment benefit assets) are located into the following geographic regions:

		31 December 2021	31 December 2020
IFRS 8.33(b)	Euroland (domicile)	45,991	40,170
	United Kingdom	5,749	5,021
	USA	5,174	4,519
	Other countries	575	502
<b>Total</b>		<b>57,489</b>	<b>50,212</b>

IFRS 8.33(a) Non-current assets are allocated based on their physical location. The above table does not include discontinued operations (disposal groups), for which revenue and assets can be attributed to Euroland.

Revenues from external customers in the Group's domicile, Euroland, as well as its major markets, the United Kingdom and the USA, have been identified on the basis of the customer's geographical location and are disclosed in Note 8.

IFRS 8.34 During 2021, CU 24,744 or 12% (2020: CU 21,076 or 11%) of the Group's revenues depended on a single customer in the consulting segment.

## Notes to the consolidated financial statements

For the year ended 31 December 2021 (expressed in thousands of Euroland currency units, except per share amounts)

The totals presented for the Group's operating segments reconcile to the key financial figures as presented in its consolidated financial statements as follows:

	2021	2020
IFRS 8.28(a)	<b>Revenues</b>	
	Total reportable segment revenues	211,082
	197,569	
	Other segment revenues	3,679
	3,756	
	Discontinued operations	(9,803)
	(11,015)	
	Elimination of intersegment revenues	(231)
	(110)	
	<b>204,727</b>	<b>190,200</b>
	Rental income from investment property	1,066
	1,028	
	<b>Group revenues</b>	<b>205,793</b>
	<b>191,228</b>	
IFRS 8.28(b)	<b>Profit or loss</b>	
	Total reportable segment operating profit	29,410
	25,637	
	Other segment profit	(8)
	278	
	Rental income from investment property	1,066
	1,028	
	Change in fair value of investment property	310
	175	
	Share-based payment expenses	(298)
	(466)	
	Post-employment benefit expenses	(5,799)
	(7,273)	
	Research and development costs	(1,690)
	(1,015)	
	Other income not allocated	676
	341	
	Other expenses not allocated	(304)
	(263)	
	Operating profit of discontinued operations	(73)
	(106)	
	Elimination of intersegment profits	(58)
	(27)	
	<b>Group operating profit</b>	<b>23,232</b>
	<b>18,309</b>	
	Share of profits from equity accounted investments	391
	141	
	Finance costs	(3,869)
	(3,993)	
	Finance income	964
	885	
	Other financial items	943
	1,182	
	<b>Group profit before tax</b>	<b>21,661</b>
	<b>16,524</b>	
IFRS 8.28(c)	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>Assets</b>	
	Total reportable segment assets	149,490
	121,639	
	Other segment assets	2,521
	1,911	
	Group headquarters	3,925
	2,127	
	Investment property	12,662
	12,277	
	Illustrative Research Lab	5,046
	2,735	
	Other assets	3,364
	2,080	
	Consolidation	(1,018)
	(378)	
	<b>Group assets</b>	<b>175,990</b>
	<b>142,391</b>	
IFRS 8.28(d)	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>Liabilities</b>	
	Total reportable segment liabilities	77,483
	73,867	
	Other segment liabilities	1,185
	1,095	
	Pension and employee obligations	11,853
	15,138	
	<b>Group liabilities</b>	<b>90,521</b>
	<b>90,100</b>	

IFRS 8.28 Unallocated operating income and expense mainly consist of research expenditure as well as post-employment benefits expenses. The Group's corporate assets, consisting of its headquarters, investment properties and research facility, are not allocated to any segment's assets.

IFRS 8.32 An analysis of the Group's revenue from external customers for each major product and service category (excluding revenue from discontinued operations) is as follows:

	2021	2020
Sale of hardware	47,585	39,145
Sale of software	24,513	20,165
Other	3,679	3,756
<b>Sale of goods</b>	<b>75,777</b>	<b>63,066</b>
After-sales service and maintenance	18,140	17,832
Consulting	59,837	60,116
Construction contracts for telecommunication systems	50,973	49,186
Investment property rental	1,066	1,028
<b>Rendering of services</b>	<b>130,016</b>	<b>128,162</b>
<b>Group revenue</b>	<b>205,793</b>	<b>191,228</b>

IAS 40.75(f)

## 10. Goodwill

### Telling the COVID Story

Goodwill is required to be tested at least annually for impairment. COVID-19 could impact goodwill through:

- a loss of key personnel that is other than temporary (eg death)
- the testing for write-down or impairment of a significant asset group
- the recognition of a goodwill impairment loss in an investee's separate financial statements, or
- a significant decline in the entity's share price which could result in the carrying amount of the entity's net assets exceeding its market capitalisation

In addition, the factors noted in Note 11 Other intangible assets may also be relevant when considering whether there is any impairment in goodwill.

Whilst IFRS requires a best estimate to be made, multiple scenarios around the best estimate should be evaluated and information about them should be disclosed. In addition, the interaction of the discount rate needs to be carefully assessed, in light of the level of uncertainty involved.

Accounting for impairment of goodwill is discussed further in our article '**Impairment of intangible assets and goodwill**'.

It is also important to note, if an entity provides for impairment of goodwill in an interim period as a result of COVID-19, this amount cannot be reversed at the end of the reporting period, in accordance with IFRIC 10 'Interim Financial Reporting and Impairment'. Additionally, if an entity performed impairment testing in the interim report, it could be relevant and useful to explain any changes in the key assumptions.

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IFRS 3.B67(d) The movements in the net carrying amount of goodwill are as follows:

	2021	2020
<b>Gross carrying amount</b>		
IFRS 3.B67(d)(i) Balance 1 January	3,727	1,234
IFRS 3.B67(d)(ii) Acquired through business combination	2,438	2,569
IFRS 3.B67(d)(vi) Net exchange difference	(135)	(76)
IFRS 3.B67(d)(viii) <b>Balance 31 December</b>	<b>6,030</b>	<b>3,727</b>
<b>Accumulated impairment</b>		
IFRS 3.B67(d)(i) Balance 1 January	(190)	-
IFRS 3.B67(d)(v) Impairment loss recognised	(799)	(190)
IFRS 3.B67(d)(vi) New exchange difference	-	-
IFRS 3.B67(d)(viii) <b>Balance 31 December</b>	<b>(989)</b>	<b>(190)</b>
<b>Carrying amount at 31 December</b>	<b>5,041</b>	<b>3,537</b>

### Impairment testing

IAS 36.80 For the purpose of annual impairment testing, goodwill is allocated to the operating segments expected to benefit from the synergies of the business combinations in which the goodwill arises as set out below, and is compared to its recoverable value:

	31 December 2021	31 December 2020
<b>Goodwill allocated to operating segments</b>		
IAS 36.134(a) Retail	4,796	2,493
Consulting	245	1,044
	<b>5,041</b>	<b>3,537</b>

IAS 36.134(c-d)  
IAS 36.130(e) The recoverable amount of each segment was determined based on value-in-use calculations, covering a detailed three-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using a declining growth rate determined by management. The present value of the expected cash flows of each segment is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the segment.

	31 December 2021	31 December 2020
<b>Recoverable amount of each operating segment</b>		
Retail	41,835	30,679
Consulting	62,562	48,354

	Growth rates		Discount rates	
	2021	2020	2021	2020
Retail	3.0%	3.0%	9.3%	9.5%
Consulting	0.1%	0.5%	10.9%	10.1%

### Growth rates

The growth rates reflect the long-term average growth rates for the product lines and industries of the segments (all publicly available). The growth rate for online retailing exceeds the overall long-term average growth rates for Euroland because this sector is expected to continue to grow at above-average rates for the foreseeable future.

### Discount rates

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each segment.



### Cash flow assumptions

#### Retail segment

IAS 36.134(d)(i)  
IAS 36.134(d)(ii)

Management's key assumptions include stable profit margins, based on past experience in this market. The Group's management believes this is the best available input for forecasting this mature market. Cash flow projections reflect stable profit margins achieved immediately before the most recent budget period. No expected efficiency improvements have been taken into account and prices and wages reflect publicly available forecasts of inflation for the industry.

#### Consulting segment

IAS 36.130(a)  
IAS 36.130(d)  
IAS 36.134(d)(i)  
IAS 36.134(d)(ii)

The forecast was adjusted in 2020 for the decline in consulting services related to conventional telecommunication solutions. The market shifted considerably towards inter- and intranet based solutions during 2020 and continued in 2021. As a result, management expects lower growth and moderately declining profit margins for this segment.

Impairment testing, taking into account these latest developments, resulted in the further reduction of goodwill in 2021 to its recoverable amount. See Note 11 for the impairment of other intangible assets.

IAS 38.118(d)

The related goodwill impairment loss of CU 799 in 2021 (2020: CU 190) was included within depreciation, amortisation and impairment of non-financial assets.

IAS 36.134(f)  
IAS 1.125

The estimate of recoverable amount for the consulting segment is particularly sensitive to the discount rate. If the discount rate used is increased by 1%, a further impairment loss of CU 300 would have to be recognised, of which CU 245 would be written off against goodwill and CU 55 against property, plant and equipment. Management is not currently aware of any other reasonably possible changes to key assumptions that would cause the carrying amount of the consulting segment to exceed its recoverable amount.

## 11. Other intangible assets

### Telling the COVID Story

An entity is required to test its assets for impairment when indicators of impairment are present, and at least annually for indefinite-lived intangibles, and a test should be performed in response to these indicators. Although some indicators of impairment are based on internal information (eg damage to a tangible capital asset, plans to remove the asset from use), others are triggered by events and circumstances external to the entity. Below are some examples of indicators of impairment that may exist as a result of the economic conditions caused by the spread of COVID-19:

- significant changes in the extent or manner in which the asset is used or is expected to be used (eg idling of a machine such that its future productive capacity may be affected, a machine being used in a manner different from its intended purpose—such as to produce items to support the battle against COVID-19—which may reduce its future productive capacity)
- significant changes in the legal factors or business climate that could affect the value of the asset (eg an entity expects a decrease in its exports to a particular foreign market as a result of lengthy border closings)
- an increase in market interest rates which would cause a decrease in the asset's value in use, or
- a decline in, or cessation of, the need for the services provided by the asset.

Accounting for impairment of intangible assets is discussed further in our article '**Impairment of intangible assets and goodwill**'

## Notes to the consolidated financial statements

For the year ended 31 December 2021 (expressed in thousands of Euroland currency units, except per share amounts)

Details of the Group's other intangible assets and their carrying amounts are as follows:

	Acquired software licenses	Internally developed software	Brand names	Customer lists	Total	
IAS 38.118	<b>Gross carrying amount</b>					
IAS 38.118(c)	Balance at 1 January 2021	13,608	14,794	760	374	29,536
IAS 38.118(e)(i)	Additions, separately acquired	440	-	-	-	440
IAS 38.118(e)(i)	Additions, internally developed	-	3,306	-	-	3,306
IAS 38.118(e)(i)	Acquisition through business combination	3,653	-	215	1,387	5,255
IAS 38.118(e)(ii)	Disposals	(1,159)	-	-	-	(1,159)
IAS 38.118(e)(vii)	Net exchange differences	(73)	(54)	-	-	(127)
IAS 38.118(c)	<b>Balance at 31 December 2021</b>	<b>16,469</b>	<b>18,046</b>	<b>975</b>	<b>1,761</b>	<b>37,251</b>
	<b>Amortisation and impairment</b>					
IAS 38.118(c)	Balance at 1 January 2021	(6,063)	(9,381)	(162)	(89)	(15,695)
IAS 38.118(e)(vi)	Amortisation	(1,978)	(1,315)	(125)	(110)	(3,528)
IAS 38.118(e)(iv)	Impairment losses	-	(870)	-	-	(870)
IAS 38.118(e)(ii)	Disposals	350	-	-	-	350
IAS 38.118(e)(vii)	Net exchange differences	(48)	(36)	-	-	(84)
IAS 38.118(c)	<b>Balance at 31 December 2021</b>	<b>(7,739)</b>	<b>(11,602)</b>	<b>(287)</b>	<b>(199)</b>	<b>(19,827)</b>
	<b>Carrying amount 31 December 2021</b>	<b>8,730</b>	<b>6,444</b>	<b>688</b>	<b>1,562</b>	<b>17,424</b>

	Acquired software licenses	Internally developed software	Brand names	Customer lists	Total	
IAS 38.118	<b>Gross carrying amount</b>					
IAS 38.118(c)	Balance at 1 January 2020	8,672	14,600	-	-	23,272
IAS 38.118(e)(i)	Additions, separately acquired	3,097	-	-	-	3,097
IAS 38.118(e)(i)	Additions, internally developed	-	216	-	-	216
IAS 38.118(e)(i)	Acquisition through business combination	1,859	-	768	378	3,005
IAS 38.118(e)(vii)	Net exchange differences	(20)	(22)	(8)	(4)	(54)
IAS 38.118(c)	<b>Balance at 31 December 2020</b>	<b>13,608</b>	<b>14,794</b>	<b>760</b>	<b>374</b>	<b>29,536</b>
	<b>Amortisation and impairment</b>					
IAS 38.118(c)	Balance at 1 January 2020	(4,442)	(8,166)	-	-	(12,608)
IAS 38.118(e)(vi)	Amortisation	(1,607)	(1,201)	(156)	(87)	(3,051)
IAS 38.118(e)(vii)	Net exchange differences	(14)	(14)	(6)	(2)	(36)
IAS 38.118(c)	<b>Balance at 31 December 2020</b>	<b>(6,063)</b>	<b>(9,381)</b>	<b>(162)</b>	<b>(89)</b>	<b>(15,695)</b>
	<b>Carrying amount 31 December 2020</b>	<b>7,545</b>	<b>5,413</b>	<b>598</b>	<b>285</b>	<b>13,841</b>

IAS 23.8  
IAS 38.126  
Additions to internally developed software include capitalised borrowing costs of CU 80 (2020: CU 78). In addition, research and development costs of CU 1,690 (2020: CU 1,015) were recognised as other expenses.

IAS 36.130(b)  
IAS 36.130(c)(i)  
IAS 36.130(c)(ii)  
IAS 36.130(a)  
IAS 36.130(e)  
IAS 36.130(g)  
An impairment loss of CU 870 (2020: Nil) was recognised for internally developed software used to provide certain after-sales and maintenance services within the consulting segment (see Note 9). The recoverable amount of the asset is its value-in-use, determined using management's expectation the market will shift considerably towards other alternative software products and will significantly reduce future revenues and profits in the next two to three years (see Note 10 for the growth and discount rates used). Should the shift in the market to other software products occur more rapidly, the carrying amount of the software of CU 100 (2020: CU 970) would be reduced to CU Nil.

- IAS 38.118(d) All amortisation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.
- IAS 38.122(e) During the year ended 31 December 2021, the Group entered into an agreement to acquire enterprise resource planning software, to support the planning and administration of the Group's operations. Minimum contractual commitments resulting from this agreement are CU 97 payable during 2022. There are no other material contractual commitments at 31 December 2021 (2020: None).

## 12. Property, plant and equipment

### Telling the COVID Story

The factors noted in 'Note 11 Other intangible assets' also apply to this component of the financial statements.

Details of the Group's property, plant and equipment and their carrying amounts are as follows:

	Land	Buildings	IT equipment	Other equipment	Total	
<b>Gross carrying amount</b>						
IAS 16.73(d)	Balance 1 January 2021	7,697	14,499	4,379	2,334	28,909
IAS 16.73(e)(i)	Additions	-	76	-	-	76
IAS 16.73(e)(iii)	Acquisition through business combination	730	1,221	2,306	365	4,622
IAS 16.73(e)(ii)	Disposals	-	(401)	-	-	(401)
IAS 16.73(e)(iv)	Revaluation increase	303	-	-	-	303
IAS 16.73(e)(viii)	Net exchange differences	(21)	(81)	(79)	(54)	(235)
IAS 16.73(d)	<b>Balance at 31 December 2021</b>	<b>8,709</b>	<b>15,314</b>	<b>6,606</b>	<b>2,645</b>	<b>33,274</b>
<b>Depreciation and impairment</b>						
IAS 16.73(d)	Balance at 1 January 2021	-	(11,019)	(783)	(913)	(12,715)
IAS 16.73(e)(ii)	Disposals	-	315	-	-	315
IAS 16.73(e)(viii)	Net exchange differences	-	(54)	(53)	(36)	(143)
IAS 16.73(e)(vii)	Depreciation	-	(954)	(641)	(530)	(2,125)
IAS 16.73(d)	<b>Balance 31 December 2021</b>	<b>-</b>	<b>(11,712)</b>	<b>(1,477)</b>	<b>(1,479)</b>	<b>(14,668)</b>
	<b>Carrying amount 31 December 2021</b>	<b>8,709</b>	<b>3,602</b>	<b>5,129</b>	<b>1,166</b>	<b>18,606</b>

## Notes to the consolidated financial statements

For the year ended 31 December 2021 (expressed in thousands of Euroland currency units, except per share amounts)

	Land	Buildings	IT equipment	Other equipment	Total	
<b>Gross carrying amount</b>						
IAS 16.73(d)	Balance 1 January 2020	7,697	18,204	3,116	966	29,983
IAS 16.73(e)(i)	Additions	-	1,001	1,390	890	3,281
IAS 16.73(e)(iii)	Acquisition through business combination	-	-	2,310	838	3,148
IAS 16.73(e)(ii)	Held for sale or included in disposal group	-	(4,598)	(2,422)	(348)	(7,368)
IAS 16.73(e)(viii)	Net exchange differences	-	(108)	(15)	(12)	(135)
IAS 16.73(d)	<b>Balance at 31 December 2020</b>	<b>7,697</b>	<b>14,499</b>	<b>4,379</b>	<b>2,334</b>	<b>28,909</b>
<b>Depreciation and impairment</b>						
IAS 16.73(d)	Balance 1 January 2020	-	(12,164)	(1,334)	(551)	(14,049)
IAS 16.73(e)(viii)	Net exchange differences	-	(72)	(10)	(8)	(90)
IAS 16.73(e)(ii)	Held for sale or included in disposal group	-	3,200	990	200	4,390
IAS 16.73(e)(vii)	Depreciation	-	(1,983)	(429)	(554)	(2,966)
IAS 16.73(d)	<b>Balance 31 December 2020</b>	<b>-</b>	<b>(11,019)</b>	<b>(1,783)</b>	<b>(913)</b>	<b>(12,715)</b>
	<b>Carrying amount 31 December 2020</b>	<b>7,697</b>	<b>3,480</b>	<b>3,596</b>	<b>1,421</b>	<b>16,194</b>

IAS 36.126(a) All depreciation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.

IAS 16.74(a)  
IFRS 7.14(a) Land and buildings have been pledged as security for the Group's other bank borrowings (see Note 15.5).

IAS 16.74(c) The Group has a contractual commitment to acquire IT equipment of CU 1,304 payable in 2022. There were no other material contractual commitments to acquire property, plant and equipment at 31 December 2021 (2020: None).

The Group has no capital work in progress at 31 December 2021. (2020: Nil)

IAS 16.77(e)  
IAS 16.77(f) If the cost model had been used, the carrying amounts of the revalued land, including the fair value adjustment upon acquisition of Goodtech, would be CU 7,421 (2020: CU 6,712). The revalued amounts include a revaluation surplus of CU 1,288 before tax (2020: CU 985), which is not available for distribution to the shareholders of Illustrative Corporation.

Fair value measurement of the land

See Note 35.2.

## 13. Leases

### Telling the COVID Story

#### Lessee accounting

- Lease modifications – If the entity meets the criteria and chooses to adopt the practical expedient, the amendments require the entity to disclose:
  - The fact it has applied the practical expedient to all its rent concessions, or if only some of them, a description of the nature of the contract it has applied the practical expedient to, and
  - The amount in profit or loss for the reporting period that reflects the change in lease payments arising from rent concessions (as a result of applying the practical expedient) if that amount is material. The Group did not have any leases impacted by the amendment.
- Determining the incremental borrowing rate (IBR) – It is often necessary for a lessee to calculate an IBR in order to account for most leases under IFRS. Due to the impact of the COVID-19 pandemic, including changes to interest rates and to the entity's own credit risk, this rate may need to be reconsidered.
- Government concessions – In many jurisdictions, government concessions have been provided on leases. Consideration needs to be given as to whether these are lease modifications or government grants.
- Impairment of right-of-use assets – If any of the right-of-use assets have indicators of impairment (for example, if the entity decided not to utilise the space it had leased) then the entity should test them for impairment.

#### Lessor accounting

- Lease modifications – There are likely be significant lease modifications for lessors but there is no practical expedient in place. For operating leases, IFRS 16 provides only limited guidance on the modification of operating leases from a lessor's perspective. It requires that any modification be considered a new lease, and that any remaining prepayments and accruals are included in the accounting for this new lease. IFRS 16 does not state whether balances arising from the lessor's straight-lining calculation are considered to be accruals or prepayments but our view, consistent with the approach when applying IAS 17 'Leases', is that they are.
- In such an instance, if the new lease continues to be classified as operating, the future cash flows are recognised on a straight line (or other systematic) basis, adjusted for any prepayments or accruals. The expense recognition pattern should ensure the balance is written down to zero at the end of the lease.

For more information, refer to our article [COVID-19 Accounting for lease modifications](#).

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### Right-of-use assets

	Buildings	IT equipment	Total	
IFRS 16.47(a)(ii)				
<b>Gross carrying amount</b>				
Balance 1 January 2021	33,163	2,967	36,130	
Additions	-	-	-	
Disposals	-	-	-	
<b>Balance at 31 December 2021</b>	<b>33,163</b>	<b>2,967</b>	<b>36,130</b>	
<b>Depreciation and impairment</b>				
Balance at 1 January 2021	(3,015)	(910)	(3,925)	
Disposals	-	-	-	
IFRS 16.53(a)	Depreciation	(2,236)	(435)	(2,671)
<b>Balance 31 December 2021</b>	<b>(5,251)</b>	<b>(1,345)</b>	<b>(6,596)</b>	
IFRS 16.53(j)	<b>Carrying amount 31 December 2021</b>	<b>27,912</b>	<b>1,622</b>	<b>29,534</b>
	Buildings	IT equipment	Total	
<b>Gross carrying amount</b>				
Balance 1 January 2020	33,163	2,967	36,130	
Additions	-	-	-	
Disposals	-	-	-	
<b>Balance at 31 December 2020</b>	<b>33,163</b>	<b>2,967</b>	<b>36,130</b>	
<b>Depreciation and impairment</b>				
Balance at 1 January 2020	(780)	(471)	(1,251)	
IFRS 16.53(a)	Depreciation	(2,235)	(439)	(2,674)
<b>Balance 31 December 2020</b>	<b>(3,015)</b>	<b>(910)</b>	<b>(3,925)</b>	
IFRS 16.53(j)	<b>Carrying amount 31 December 2020</b>	<b>30,148</b>	<b>2,057</b>	<b>32,205</b>

### Lease liabilities

Lease liabilities are presented in the consolidated statement of financial position as follows:

	31 Dec 2021	31 Dec 2020
IFRS 16.47(b)		
IFRS 16.52		
Current	2,522	2,506
Non-current	31,194	33,003
	<b>33,716</b>	<b>35,509</b>

IFRS 16.59(a) The Group has leases for the main warehouse and related facilities, an office and production building, and some IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statement of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 12).

IFRS 16.59(c) Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure right-of-use assets and incur maintenance fees on such items in accordance with the lease contracts.

IFRS 16.59 The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised in the consolidated statement of financial position:

Right-of-use asset	No of right-of-use assets leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of leases with options to purchase	No of leases with variable payments linked to an index	No of leases with termination options
Office building	2	10-20 years	15 years	2	1	1	0
Warehouse and related facilities	3	14-16 years	15 years	2	0	3	0
IT equipment	35	2-6 years	3 years	0	20	0	0

The lease liabilities are secured by the related underlying assets. Future lease payments at 31 December 2021 were as follows:

	Lease payments due						Total
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	
<b>31 December 2021</b>							
Lease payments	2,979	2,960	2,960	2,942	2,935	21,702	36,478
Finance charges	(457)	(360)	(340)	(272)	(260)	(1,073)	(2,762)
<b>Net present values</b>	<b>2,522</b>	<b>2,600</b>	<b>2,620</b>	<b>2,670</b>	<b>2,675</b>	<b>20,629</b>	<b>33,716</b>
<b>31 December 2020</b>							
Lease payments	2,966	2,960	2,942	2,935	2,957	23,858	38,618
Finance charges	(460)	(311)	(282)	(387)	(189)	(1,480)	(3,109)
<b>Net present values</b>	<b>2,506</b>	<b>2,649</b>	<b>2,660</b>	<b>2,548</b>	<b>2,768</b>	<b>22,378</b>	<b>35,509</b>

#### Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

IFRS 16.54 The expense relating to payments not included in the measurement of the lease liability is as follows:

	31 Dec 2021	31 Dec 2020
IFRS 16.53(c) Short-term leases	1,324	1,560
IFRS 16.53(d) Leases of low value assets	160	195
IFRS.16.53(e) Variable lease payments	475	534
	<b>1,959</b>	<b>2,289</b>

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IFRS 16.55 At 31 December 2021 the Group was committed to short-term leases and the total commitment at that date was CU 5,960 (2020: 6,549).

IFRS 16.59(b)(i) Variable lease payments expensed on the basis that they are not recognised as a lease liability include rentals based on revenue from the use of the underlying asset and excess use charges on office equipment. Variable payment terms are used for a variety of reasons, including minimising costs for IT equipment with infrequent use. Variable lease payments are expensed in the period they are incurred. Potential future variable lease payments the Group are exposed to at 31 December 2021 are estimated to be:

IFRS 16.59(b)(iv)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
<b>31 December 2021</b>							
Variable lease payments	452	436	412	401	401	0	2,102
<b>31 December 2020</b>							
Variable lease payments	470	450	435	415	400	400	2,570

The potential additional future cashflows to which the Group are exposed if extension options are exercised are as follows:

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
<b>31 December 2021</b>							
Extension options	51	36	42	40	0	0	169
<b>31 December 2020</b>							
Extension options	68	52	36	45	40	0	241

At 31 December 2021 the Group had committed to leases which had not yet commenced. The total future cash outflows for leases that had not yet commenced were as follows:

Type of asset	31 Dec 2021	31 Dec 2020
IT equipment	4,900	-
	<b>4,900</b>	-

IFRS 16.53(g) Total cash outflow for leases for the year ended 31 December 2021 was CU 5,473 (2020: CU 1,919).

### Operating leases as lessor

IFRS 16.92(a) The Group leases out investment properties under operating leases (see Note 14).

## 14. Investment property

### Telling the COVID Story

The fair value of an investment property must reflect market participant views and market data at the measurement date under current market conditions. As a result of COVID-19 there may be an increase in the amount of subjectivity involved in fair value measurements, especially those based on unobservable inputs. In some cases, greater use of unobservable inputs will be required because relevant observable inputs are no longer available.

IAS 40.5 Investment property includes real estate properties in Euroland and in the United States, which are owned to earn rentals and for capital appreciation.



IFRS 13.93(a)  
IAS 40.76

Note 35.2 sets out how the fair value of the investment properties has been determined.

Changes to the carrying amounts are as follows:

	2021	2020
Carrying amount 1 January	12,277	12,102
IAS 40.76(a) IAS 40.76(b)	Additions:	
- Through business combination	75	-
IAS 40.76(d) IAS 40.76(e)	Change in fair value:	
- Net gain	288	150
- Net exchange differences	22	25
Total change in fair value	310	175
<b>Carrying amount 31 December</b>	<b>12,662</b>	<b>12,277</b>

IAS 40.75(g)

Investment properties valued at CU 8,327 are pledged as security for related borrowings (2020: CU 8,113).

IAS 40.75(f)  
IFRS 16.92(a)  
IFRS 16.90(b)

Investment properties are either leased to third parties on operating leases or are vacant. Rental income of CU 1,066 (2020: CU 1,028) is shown within revenue and includes CU 37 (2020: CU 34) from variable lease payments not dependent on an index or rate. Direct operating expenses of CU 213 (2020: CU 206) are reported within other expenses, of which CU 18 (2020: CU 12) is incurred on vacant properties that did not generate rental income.

IFRS 16.92(b)

Although the risks associated with rights the Group retains in underlying assets are not considered to be significant, the Group employs strategies to further minimise these risks. For example, ensuring all contracts include clauses requiring the lessee to compensate the Group when a property has been subjected to excess wear-and-tear during the lease term.

IFRS 16.92  
IFRS 16.97

The lease contracts are all non-cancellable for eight years from the commencement of the lease. Future lease rentals are as follows:

	Lease payments due						Total
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	
31 December 2021	1,030	1,124	1,227	1,339	1,460	1,978	8,158
31 December 2020	1,075	1,173	1,280	1,397	1,525	2,090	8,540

## 15. Financial assets and liabilities

### 15.1 Categories of financial assets and financial liabilities

Note 4.17 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

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For the year ended 31 December 2021 (expressed in thousands of Euroland currency units, except per share amounts)

IFRS 7.8

31 December 2021	Amortised cost	FVTPL	Derivatives used for hedging (FV)	Total
<b>Financial assets</b>				
Bonds and debentures	2,878	–	–	2,878
Other investments	–	1,173	–	1,173
Other long-term financial assets	2,878	1,173	–	4,051
Other short-term financial assets	–	655	–	655
Derivative financial instruments	–	115	601	716
Trade and other receivables <sup>a</sup>	30,606	–	–	30,606
Cash and cash equivalents	34,729	–	–	34,729
<b>Total financial assets</b>	<b>68,213</b>	<b>1,943</b>	<b>601</b>	<b>70,757</b>

<sup>a</sup> these amounts only represent trade receivables that are financial assets (see Note 18)

31 December 2021	Other liabilities at FVTPL	Other liabilities (amortised cost)	Total
<b>Financial liabilities</b>			
Non-current borrowings	–	21,070	21,070
Current borrowings	–	4,815	4,815
Trade and other payables	–	8,497	8,497
Contingent consideration	620	–	620
<b>Total financial liabilities</b>	<b>620</b>	<b>34,382</b>	<b>35,002</b>

31 December 2020	Amortised Cost	FVTPL	Derivatives used for hedging (FV)	Total
<b>Financial assets</b>				
Bonds and debentures	3,074	–	–	3,074
Other investments	–	1,063	–	1,063
Other long-term financial assets	3,074	1,063	–	4,137
Other short-term financial assets	–	649	–	649
Derivative financial instruments	–	212	230	442
Trade and other receivables <sup>a</sup>	23,441	–	–	23,441
Cash and cash equivalents	11,197	–	–	11,197
<b>Total financial assets</b>	<b>37,712</b>	<b>1,924</b>	<b>230</b>	<b>39,866</b>

<sup>a</sup> these amounts only represent trade receivables that are financial assets (see Note 18)

31 December 2020	Derivatives (FV) used for hedging	Other liabilities (amortised cost)	Total
<b>Financial liabilities</b>			
Non-current borrowings	–	21,265	21,265
Current borrowings	–	3,379	3,379
Trade and other payables	–	6,550	6,550
Derivative financial instruments	160	–	160
<b>Total financial liabilities</b>	<b>160</b>	<b>31,194</b>	<b>31,354</b>

IFRS 7.33

A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 34.

IFRS 13.91(a)

The methods used to measure financial assets and liabilities reported at fair value are described in Note 35.1.

## 15.2 Financial assets at amortised cost

### Telling the COVID Story

The factors noted in Note 35 Fair Value Measurement also apply to this component of the financial statements.

IFRS 7.7  
IFRS 7.25

Financial assets at amortised cost include publicly traded zero coupon and US straight bonds with fixed interest rates between 5.5% and 6.2%. They mature in 2023 and 2024. The carrying amounts (measured at amortised cost) and fair values of these bonds are as follows:

	31 December 2021	31 December 2020
IFRS 7.8(f)	<b>Carrying amount at amortised cost:</b>	
	1,077	1,159
	1,704	1,803
	97	112
	<b>2,878</b>	<b>3,074</b>
IFRS 7.8(a)	<b>Fair value:</b>	
	1,101	1,156
	1,705	1,809
	99	114
	<b>2,905</b>	<b>3,079</b>

IFRS 13.93

Fair values of these bonds and debentures have been estimated by reference to quoted bid prices in active markets at the reporting date and are categorised within Level 1 of the fair value hierarchy. The fair value of the US straight bonds also reflects the US-dollar spot rate as at the reporting date.

## 15.3 Financial assets at fair value through profit or loss (FVTPL)

### Telling the COVID Story

An entity is required to test its assets for impairment when indicators of impairment are present and a test must be performed in response to these indicators. Although some indicators of impairment are based on internal information (eg damage to a tangible capital asset, plans to remove the asset from use), others are triggered by events and circumstances external to the entity. Below are some examples of indicators of impairment that may exist as a result of the economic conditions caused by the spread of COVID-19:

- investments other than portfolio investments (eg subsidiary that is not consolidated)
- significant financial difficulty of the investee
- a breach of contract (eg default or delinquency in debt payments)
- it is probable that the investee will enter bankruptcy or other financial reorganisation
- a significant adverse change in the economic or legal environment in which the investee operates (eg recession), or
- the disappearance of an active market for the investment because of financial difficulties of the investee.

IFRS 7.8(a)

Financial assets at FVTPL include the equity investment in XY Ltd together with listed equity securities. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for it at FVOCI.

## Notes to the consolidated financial statements

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	31 December 2021	31 December 2020
Investment in XY Ltd	752	720
Listed equity securities	421	343
	<b>1,173</b>	<b>1,063</b>

### 15.4 Derivative financial instruments and hedge accounting

#### Telling the COVID Story

Hedge accounting and the assessment of highly probable cash flows are important considerations when applying IFRS 9 in light of the COVID-19 global pandemic and its impact on reporting entities.

Under IFRS 9, if an entity has adopted hedge accounting as part of its risk management strategy, it is required to follow all the hedging requirements in IFRS 9. In some rare circumstances, the requirements in IAS 39 'Financial Instruments: Recognition and Measurement' might still apply, so great care should be taken to assess which accounting standard should be used. In both cases, a key criterion relating to cash flow hedges over forecast transactions is the requirement for the hedged cash flows to be assessed as being highly probable. This requirement is set out in IFRS 9.6.3.3 and IAS 39.78.

As the COVID-19 pandemic continues to influence market behaviour, an entity may need to reconsider:

- if the hedged cash flows still meet the highly probable assessment
- if the cash flow hedge reserve includes amounts that should now be moved to profit or loss, or
- if there is any hedge ineffectiveness that should now be recognised in profit or loss.

The highly probable assessment must always be based on the facts and circumstances that exist at the end of the reporting period.

Entities which hedge forecast transactions based on volumes are the ones most likely to be impacted by COVID-19. It may be that derivatives were taken out at earlier times where the hedged levels were considered highly probable at the time of hedge inception, but due to COVID-19 in the intervening period the highly probable cash flows will now be significantly reduced.

This can also be relevant to cash flow hedges put in place to mitigate interest rate risk. While the hedged item in many cases will relate to interest cash flows on debt which is from committed facilities, projected covenant failure due to COVID-19 could impact the hedge accounting assessment. Similarly, if the hedged cash flows included a forecast issuance of debt, the highly probable assessment may also have been impacted by COVID-19.

The Group's derivative financial instruments are measured at fair value and are summarised below:

		31 December 2021	31 December 2020
IAS 1.77 IFRS 7.24A(a)	US-dollar forward contracts – cash flow hedge	467	-
IAS 1.77 IFRS 7.24A(a)	GBP forward contracts – cash flow hedge	134	230
IAS 1.77	Other forward exchange contracts – held-for-trading	115	212
	<b>Derivative financial assets</b>	<b>716</b>	<b>442</b>
IAS 1.77 IFRS 7.24A(a)	US-dollar forward contracts – cash flow hedge	-	(160)
	<b>Derivative financial liabilities</b>	<b>-</b>	<b>(160)</b>

IFRS 7.21A The Group uses forward foreign exchange contracts to mitigate exchange rate exposure arising from forecast sales in US dollars (USD) and British pounds (GBP). The Group's policy is to hedge up to 75% of all highly probable forecast non-CU sales in the United States and the United Kingdom a quarter in advance of the forecast sales transaction. During the year ended 31 December 2021, 75% of the non-CU denominated sales were hedged in respect of foreign currency risk using foreign currency forwards.

IFRS 7.22B Hedge effectiveness is determined at inception of the hedge relationship and at every reporting period end through the assessment of the hedged items and hedging instrument to determine whether there is still an economic relationship between the two.

The critical terms of the foreign currency forwards entered into exactly match the terms of the hedged item. As such the economic relationship and hedge effectiveness are based on the qualitative factors and the use of a hypothetical derivative where appropriate.

Hedge ineffectiveness may arise where the critical terms of the forecast transaction no longer meet those of the hedging instrument, for example if there was a change in the timing of the forecast sales transactions from what was initially estimated or if the volume of currency in the hedged item was below expectations leading to over-hedging.

The hedged items and the hedging instrument are denominated in the same currency and as a result the hedging ratio is always one to one.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the consolidated statement of financial position.

To the extent the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued, and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

Other forward exchange contracts are considered by management to be part of economic hedge arrangements but have not been formally designated.

During the year ended 31 December 2021 a gain of CU 890 (2020: CU 540) was recognised in other comprehensive income.

During the year ended 31 December 2021 a gain of CU 640 (2020: CU 712) was reclassified from equity into profit or loss.

The cumulative gain recorded in equity is CU 390 (2020: CU 140).

**Guidance note:** The requirements in IFRS 7 'Financial Instruments Disclosures' are to provide the hedge accounting disclosure by risk category. We have provided the disclosure below showing the difference between the USD and GBP forwards. This is because some required disclosure would not be appropriately disclosed without separating the two forwards. IFRS does not prescribe risk categories. IFRS 7.BC350 says an entity should apply judgement and categories of risks on the basis of how it manages its risks through hedging.

## Notes to the consolidated financial statements

For the year ended 31 December 2021 (expressed in thousands of Euroland currency units, except per share amounts)

The following movements in the cash flow hedge reserve relate to one risk category being hedges relating to cash flows arising from foreign currency sales.

	Cash flow hedge reserve – USD hedges	Cash flow hedge reserve – GBP hedges	Total	
IFRS 7.24B(b)(ii)	Opening balance 1 January 2020	196	116	312
IFRS 7.24E(b),(c)	Change in fair value of hedging instrument recognised in other comprehensive income (OCI)	199	341	540
	Reclassified from OCI to profit or loss	(435)	(277)	(712)
IFRS 7.24C(b)(iv)	Deferred tax	–	–	–
	<b>Closing balance 31 December 2020</b>	<b>(40)</b>	<b>180</b>	<b>140</b>
IFRS 7.24B(b)(ii)	Change in fair value of hedging instrument recognised in OCI	385	505	890
IFRS.7.24C(b)(iv)	Reclassified from OCI to profit or loss	(81)	(559)	(640)
	Deferred tax	–	–	–
	<b>Closing balance 31 December 2021</b>	<b>264</b>	<b>126</b>	<b>390</b>

IFRS 7.24C(b)(v) The amounts reclassified to profit or loss have been included in revenue.

IFRS 7.24C(b)(ii)  
and (iii)  
IFRS 7.24E

No ineffectiveness arose during the year ended 31 December 2021 (2020 – Nil).

The hedging instrument relates to the forward contracts in their entirety, with hedging on a forward to forward basis.

The effect of hedge accounting on the Group's consolidated financial position and performance is as follows, including the outline timing and profile of the hedging instruments:

	31 December 2021	31 December 2020
IFRS.7.24A(a)	Carrying amount	
	– USD forward contracts	467 (160)
	– GBP forward contracts	134 230
IFRS.7.24A(d)	Notional amount	
	– USD forward contracts (in USD)	2,880 2,546
	– GBP forward contracts (in GBP)	2,952 2,526
IFRS 7.22B(c)	Hedge ratio	1:1 1:1
IFRS 7.23B(a)	Maturity date	January to March 2022 January to March 2022
IFRS 7.23B(b)	Average forward rate	
	– USD forward contracts	1.196 1.247
	– GBP forward contracts	1.205 1.382
IFRS 7.24A(c)	Change in the fair value of the currency forward (excluding amounts reclassified)	
	– USD forward contracts	275 (40)
	– GBP forward contracts	115 180
IFRS 7.24B(b)(i)	Change in the fair value of the hedged item used to determine hedge effectiveness	
	– USD highly probable sales	275 (40)
	– GBP highly probable sales	115 180
IFRS 7.24B(b)(ii)	Amounts in the cash flow hedge reserve:	
	– USD foreign exchange hedges over highly probable sales	264 (40)
	– GBP foreign exchange hedges over highly probable sales	126 180
		<b>390 140</b>

IFRS 7.23D

The hedge relationships relate to the foreign exchange risk arising from the highly probable sales and the resulting receivable. Reclassification to profit or loss occurs at the time of the associated sale being recognised and then further movements to profit or loss to match the retranslation of the associated receivable. The above movements relating to the hedging instrument and hedged item exclude those elements reclassified by the reporting date.

The potential sources of ineffectiveness result from either (a) differences between the timing of the cash flows of the hedged item and hedging instrument, (b) changes in credit risk of the hedging instrument, or (c) potential overhedging should volumes of highly probable sales fall below hedged amounts.

Due to the low interest rate environment, the small differences in timing are not considered to give rise to any significant ineffectiveness. At the current time, no significant ineffectiveness has arisen from credit risk or from over-hedging although this is monitored on an ongoing basis.

### 15.5 Borrowings

#### Telling the COVID Story

Some financial institutions (and other creditors) are providing holders of debt with an option to defer principal payments for a period of time. Management will need to assess whether the change in terms represent a modification or extinguishment of the debt obligation and revisit the portion of the debt that is considered current versus non-current.

As a result of the difficult economic conditions, an entity normally able to comply with its debt covenants may find it is now in violation of contractual obligations. In some instances, creditors may not be willing to waive their right to demand repayment. Unless the entity meets certain conditions, it may need to present the entire amount owing as a current liability. If an entity intends to obtain a waiver, this needs to be done before the end of the reporting period in order to prevent a current liability presentation.

If a creditor forgives an amount owing by an entity, the entity needs to carefully consider the point in time when the liability is discharged and can be derecognised in light of what is set out in IFRS 9.

Borrowings include the following financial liabilities:

	Current		Non-current	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
IFRS 7.8(g)	<b>At amortised cost:</b>			
US-dollar loans	250	255	7,770	7,965
Other bank borrowings	4,565	3,124	-	-
Non-convertible bond	-	-	8,300	8,300
Subordinated shareholder loan	-	-	5,000	5,000
	<b>4,815</b>	<b>3,379</b>	<b>21,070</b>	<b>21,265</b>
IFRS 7.8(e)	<b>Fair value:</b>			
US-dollar loans	251	256	7,801	7,997
Other bank borrowings	4,565	3,124	-	-
Non-convertible bond	-	-	8,259	8,383
Subordinated shareholder loan	-	-	4,975	5,050
	<b>4,816</b>	<b>3,380</b>	<b>21,035</b>	<b>21,430</b>

Other than the US-dollar loans, all borrowings are denominated in CU.

## Notes to the consolidated financial statements

For the year ended 31 December 2021 (expressed in thousands of Euroland currency units, except per share amounts)

### Borrowings at amortised cost

IFRS 7.31	US-dollar loans are secured over investment properties owned by the Group (see Note 14). The interest rate on the loan is fixed at 3%.
IAS 16.74(a) IFRS 7.29 IFRS 7.31	Other bank borrowings are secured by land and buildings owned by the Group (see Note 12). Current interest rates are variable and average 4.0 % (2020: 4.1%). The carrying amount of the other bank borrowings is considered to be a reasonable approximation of the fair value.
IFRS 13.93(d) IFRS 13.97	<p>The Group's non-convertible bond with a fixed interest rate of 5.0% matures on 14 May 2024 and is therefore classified as non-current. The estimated fair value of the non-convertible bond is categorised within Level 2 of the fair value hierarchy. The fair value estimate has been determined from the perspective of a market participant that holds these non-convertible bonds as assets at 31 December 2021. The fair value CU 8,259 is estimated using a present value technique, by discounting the contractual cash flows using implied yields of non-convertible bonds of an entity with a similar standing and marketability.</p> <p>The most significant input being the discount rate that reflects the credit risk of issuer entity.</p>
IAS 24.18 IFRS 13.93(d) IFRS 13.97	<p>The subordinated shareholder loan was provided by Illustrative Corporation Ltd's main shareholder, SRC Investment Trust, in 2016. It is perpetual and carries a fixed coupon of 4.0%. It is repayable only upon liquidation of Illustrative Corporation Ltd. The estimated fair value of the subordinated shareholder loan is categorised within Level 3 of the fair value hierarchy. The fair value estimate has been determined using a present value technique. The CU 4,975 (2020: CU 5,075) is estimated by discounting the contractual cash flows at 4.1% (2020: 4.3%). The discount rate has been determined using the interest rate that the entity would pay to unrelated party, at the reporting date, adjusted to reflect the subordination feature.</p> <p>The most significant input in both reporting periods is the discount rate of 4.1%.</p>

### 15.6 Other financial instruments

IFRS 7.29	<p>The carrying amounts of the following financial assets and liabilities are considered a reasonable approximation of fair value:</p> <ul style="list-style-type: none"><li>• trade and other receivables</li><li>• cash and cash equivalents, and</li><li>• trade and other payables.</li></ul>
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## 16. Deferred tax assets and liabilities

### Telling the COVID Story

- Deferred Tax Asset (DTA) – An entity that has historically recognised a deferred tax asset in its statement of financial position may need to revisit its assumptions about the likelihood that it will be realised in the future. Management may determine it is no longer appropriate under IAS 12 for the entity to recognise the deferred tax asset on the entity's statement of financial position because it is no longer recoverable in the future.
- Deferred Tax Liability (DTL) on outside basis differences – An entity may assert that earnings in foreign jurisdictions are indefinitely reinvested and therefore does not recognise a DTL for these accumulated earnings and other taxable outside-basis differences. Such assertions may need to be revisited to determine if they remain appropriate given the entity's current cash flow projections.
- In some jurisdictions, an entity may also be granted tax waivers or deferrals, which need careful assessment of eligibility and the consequential impact on tax provisioning.
- Any income tax reliefs provided by governments have to be assessed for scope in light of not only IAS 12, but also IAS 20.

Refer to our article '2020 Deferred Tax Provision' for more information.



Deferred taxes arising from temporary differences and unused tax losses are summarised as follows:

IAS 12.81(g)

Deferred tax liabilities (assets)	1 January 2021	Recognised in other comprehensive income	Recognised in business combination	Recognised in profit or loss	31 December 2021
<b>Non-current assets</b>					
Other intangible assets	847	(63)	444	30	1,258
Property, plant and equipment	2,130	(22)	188	406	2,702
Other long-term financial assets	(95)	-	-	19	(76)
Investment property	1,914	-	-	93	2,007
<b>Current assets</b>					
Trade and other receivables	(168)	-	-	38	(130)
<b>Current liabilities</b>					
Provisions	(1,007)	-	-	639	(368)
Pension and other employee obligations	(4,451)	1,149	-	(188)	(3,490)
Unused tax losses	(75)	-	-	75	-
	<b>(905)</b>	<b>1,064</b>	<b>632</b>	<b>1,112</b>	<b>1,903</b>

IAS 12.81(g)

Deferred tax liabilities (assets)	1 January 2020	Recognised in other comprehensive income	Recognised in disposal group	Recognised in business combination	Recognised in profit or loss	31 December 2020
<b>Non-current assets</b>						
Other intangible assets	409	(27)	-	210	255	847
Property, plant and equipment	1,528	(68)	-	225	445	2,130
Other long-term financial assets	-	-	-	-	(95)	(95)
Investment property	1,861	-	-	-	53	1,914
<b>Current assets</b>						
Trade and other receivables	(34)	-	-	-	(134)	(168)
<b>Current liabilities</b>						
Provisions	(1,320)	-	70	-	243	(1,007)
Pension and other employee obligations	(2,996)	(1,062)	-	-	(393)	(4,451)
Unused tax losses	(300)	-	-	-	225	(75)
	<b>(852)</b>	<b>(1,157)</b>	<b>70</b>	<b>435</b>	<b>599</b>	<b>(905)</b>

The amounts recognised in other comprehensive income relate to revaluation of land, exchange differences on translating foreign operations and the remeasurement of the defined benefit liability. See Note 21.3 for the income tax relating to these components of other comprehensive income.

IAS 12.81(f)

A deferred tax liability of CU 1 (31 December 2020: CU 2) associated with an investment in a domestic subsidiary has not been recognised, as the Group controls the timing of the reversal and it is not probable that the temporary difference will not reverse in the foreseeable future. The tax value is equivalent to a temporary difference of CU 3 (31 December 2020: CU 7).

IAS 12.81(e)

All deferred tax assets (including tax losses and other tax credits) have been recognised in the consolidated statement of financial position.

## 17. Inventories

### Telling the COVID Story

Some entities may be experiencing supply chain disruptions. Real estate companies with inventories of under construction properties could be impacted by a fall in property prices. Seasonal inventories and perishable products might be exposed to the risk of loss due to damage, contamination, physical deterioration, obsolescence, changes in price levels or other causes. A reporting entity needs to assess whether, on the reporting date, an adjustment is required to the carrying value of their inventory to bring them to their net realisable value in accordance with the principles of IAS 2 ‘Inventories’. Estimating net realisable value in such volatile market conditions may also be a challenge on account of the uncertainties presented by the pandemic.

If an entity’s production level is abnormally low (eg due to a temporary shutdown of production), it may need to review its inventory costing to ensure that unallocated fixed overheads are recognised in profit or loss in the period in which they are incurred (ie “excess capacity” should be expensed rather than being added to the cost of inventory).

Inventories consist of the following:

		31 December 2021	31 December 2020
IAS 2.36(b)	Raw materials and consumables	7,737	7,907
IAS 2.36(b)	Merchandise	10,561	9,319
		<b>18,298</b>	<b>17,226</b>

IAS 2.36(d)  
IAS 2.36(e)

In 2021, a total of CU 35,265 (2020: CU 32,907) of inventories was included in profit or loss as an expense. This includes an amount of CU 361 (2020: CU 389) resulting from write-down of inventories.

## 18. Trade and other receivables

### Telling the COVID Story

A negative economic outlook and cash flow difficulties experienced by customers as a result of COVID-19 must be factored into an entity’s forecasts of future conditions, which may result in an increase in its allowance for ECLs of trade and other receivables. This is to reflect:

- a a greater probability of default across many borrowers, even those that currently do not exhibit significant increases in credit risk but may in the future, and
- b a higher magnitude of loss given default, due to possible decreases in the value of collateral and other assets.

Alternatively, if a positive economic outlook now exists and cash flows are likely to be better than previously assessed, previously determined ECLs amounts should be reduced accordingly.

Trade and other receivables consist of the following:

IAS 1.77		31 December 2021	31 December 2020
IAS 1.78(b)	Trade receivables, gross	31,265	23,889
	Allowance for credit losses	(767)	(556)
	<b>Trade receivables</b>	<b>30,498</b>	<b>23,333</b>
	Receivable due from ABC Ltd	112	112
	Allowance for expected credit losses	(4)	(4)
	<b>Financial assets</b>	<b>30,606</b>	<b>23,441</b>
	Social security and other taxes	740	409
	Construction contracts for telecommunication systems	1,374	974
	<b>Non-financial assets</b>	<b>2,114</b>	<b>1,383</b>
	<b>Trade and other receivables</b>	<b>32,720</b>	<b>24,824</b>

IFRS 7.29(a) All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

The receivable due from ABC Ltd relates to the remaining consideration due on the sale of a former subsidiary in 2018. The carrying amount of the receivable is considered a reasonable approximation of fair value as this financial asset (which is measured at amortised cost) is expected to be paid within six months, such that the effect of any difference between the effective interest rate applied and the estimated current market rate is not significant.

Note 34.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. Both the current and comparative impairment provisions apply the IFRS 9 expected loss model.

## 19. Cash and cash equivalents

**Guidance note:** Cash and bank overdrafts should not be offset when presenting them in the financial statements. This is in accordance with IAS 32.42.

IAS 7.45 Cash and cash equivalents consist of the following:

	31 December 2021	31 December 2020
Cash at bank and in hand:		
- CU	24,292	7,827
- GBP	2,087	674
- USD	1,392	449
Short-term deposits (CU)	6,958	2,247
	<b>34,729</b>	<b>11,197</b>

IAS 7.48  
IAS 10.19 Following the acquisition of Goodtech, some bank deposits of the acquiree were temporarily not available for general use by the Group because of legal restrictions. The amount of cash and cash equivalents inaccessible to the Group as at 31 December 2021 amounts to CU 500 (31 December 2020: CU Nil). All the restrictions on bank deposits were removed by the time of the approval of the consolidated financial statements on 1 March 2022.

## 20. Disposal group classified as held for sale and discontinued operations

### Telling the COVID Story

As a result of the difficult economic environment, an entity may be considering or implementing restructuring plans such as the sale or closure of part of its business or the downsizing of operations (either temporary or permanent). Management should consider whether any long-lived assets need to be classified as held for sale or if any portion of its business qualifies for presentation as a discontinued operation. An entity may also be impacted when its previously probable plan to sell a subsidiary or division is no longer probable due to economic conditions. Preparers of financial statements need to be mindful that IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' has specific conditions to be held for sale.

5.41(a)-(d) At the end of 2020, management decided to discontinue in-store sale of IT and telecommunications hardware in line with the Group's strategy to focus on its on-line retail business. Consequently, assets and liabilities allocable to Highstreet (included in the retail segment) were classified as a disposal group. Revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item in the consolidated statement of profit or loss.

On 30 September 2021, Highstreet was sold for a total of CU 3,117 in cash resulting in a loss of CU 29 before tax primarily due to related selling costs (see Note 6.3).

	2021	2020	
IFRS 5.33(b)(i)			
Revenue	9,803	11,015	
Costs of materials	(3,540)	(3,633)	
Employee benefits expense	(6,100)	(6,411)	
Depreciation and amortisation	-	(765)	
Other expenses	(90)	(100)	
<b>Operating profit</b>	<b>73</b>	<b>106</b>	
Finance costs	(56)	(60)	
IFRS 5.33(b)(i)	<b>Profit from discontinued operations before tax</b>	<b>17</b>	<b>46</b>
IFRS 5.33(b)(ii) IAS 12.81(h)	Tax expense	(5)	(14)
	<b>Profit for year</b>	<b>12</b>	<b>32</b>
	<b>Loss on remeasurement and disposal</b>		
IFRS 5.33(b)(iii)	Loss before tax on remeasurement to fair value less costs to sell	-	(510)
	Loss before tax on disposal (Note 6.3)	(29)	-
IFRS 5.33(b)(iv) IAS 12.81(h)	Tax recovery	8	153
	<b>Total loss on remeasurement and disposal</b>	<b>(21)</b>	<b>(357)</b>
	<b>Loss for the year from discontinued operations</b>	<b>(9)</b>	<b>(325)</b>

IFRS 5.41(b) Most of the assets and all of the liabilities have been disposed of in this transaction, however, the Group continues to own some former Highstreet storage facilities. Management expects to sell these remaining assets during 2022.

IFRS 5.38

The carrying amounts of assets and liabilities in this disposal group are summarised as follows:

	2021	2020
<b>Non-current assets</b>		
Property, plant and equipment	103	2,578
Deferred tax	-	227
<b>Current assets</b>		
Inventories	-	1,081
Cash and cash equivalents	-	22
<b>Assets classified as held for sale</b>	<b>103</b>	<b>3,908</b>
<b>Current liabilities</b>		
Provisions	-	(245)
Trade and other payables	-	(190)
Current tax liabilities	-	(14)
<b>Liabilities classified as held for sale</b>	<b>-</b>	<b>(449)</b>

Cash flows generated by Highstreet for the reporting periods under review until its disposal are as follows:

	2021	2020
Operating activities	(22)	811
Investing activities (Note 6.3)	3,117	-
<b>Cash flows from discontinued operations</b>	<b>3,095</b>	<b>811</b>

Cash flows from investing activities relate solely to the proceeds from the sale of Highstreet.

## 21. Equity

### 21.1 Share capital

IAS 1.79(a)(iii)  
IAS 1.79(a)(v)

The share capital of Illustrative Corporation Ltd consists only of fully paid ordinary shares with a nominal (par) value of CU 1 per share. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings of Illustrative Corporation Ltd.

IAS 1.79(a)(iv)  
IAS 1.79(a)(ii)

	2021	2020
Shares issued and fully paid:		
- Beginning of the year	12,000,000	12,000,000
- Issued on exercise of employee share options	270,000	-
- Share issue, private placement	1,500,000	-
Shares issued and fully paid	13,770,000	12,000,000
Shares authorised for share based payments	600,000	600,000
<b>Total shares authorised at 31 December</b>	<b>14,370,000</b>	<b>12,600,000</b>

IAS 1.79(a)(i)

Additional shares were issued during 2021 relating to share-based payments (see Note 22.2 for details on the Group's share-based employee remuneration programmes).

The Group issued 1,500,000 shares on 30 October 2021, corresponding to 12.5% of total shares issued. Each share has the same right to receive dividends and the repayment of capital and represents one vote at shareholders' meetings of Illustrative Corporation Ltd.

IAS 1.79(a)(vii)

The authorised shares that have not yet been issued have been authorised solely for use in the Group's share-based remuneration programmes (see Note 22.2).



## 22. Employee remuneration

### Telling the COVID Story

In response to the COVID-19 pandemic, some entities are providing additional benefits to their employees such as:

- paying them during a temporary shutdown of their operations, or while they are sick or in mandatory quarantine, and/or
- providing other compensation to assist employees with working remotely.

If an entity decides to provide new benefits to its employees (ie those that were not previously offered), it must determine how to account for the benefits. The financial support or benefits offered to employees will likely meet the definition of a liability; therefore, an entity will need to consider when to recognise the liability/expense and how it should be measured.

An entity should first determine whether the benefits provided are a result of past service or if they will be provided as services are rendered because that will impact when the liability is recognised. The guidance in IAS 19 'Employee Benefits' must be considered when making this determination. Generally, a liability is incurred once a past transaction has occurred and the entity has lost the discretion to avoid the obligation.

Furthermore, as a result of difficult economic conditions, some entities have or will downsize their workforce. If the entity offers or is required to pay termination benefits to the affected employee(s), management must consider how and when to account for the liability/expense in accordance with IAS 19.

### 22.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

	2021	2020
	97,808	91,318
	11,229	10,608
IFRS 2.51(a)	298	466
	1,308	1,930
IAS 19.53	4,491	5,343
	(1,325)	(150)
	<b>113,809</b>	<b>109,515</b>

### 22.2 Share-based employee remuneration

### Telling the COVID Story

If an entity is negatively impacted by COVID-19, the probability it will meet the performance vesting conditions outlined in its share-based compensation arrangements might change. Furthermore, the entity might have chosen to modify or cancel its share-based compensation arrangements. Management should consider whether the accounting for such plans needs to be revised based on the guidance in IFRS 2.

IFRS 2.44  
IFRS 2.45(a)

As at 31 December 2021, the Group maintained two share-based payment schemes for employee remuneration, the Star Programme and the Stay Programme. Both programmes will be settled in equity.

## Notes to the consolidated financial statements

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IFRS 2.45(a) The Star Programme is part of the remuneration package of the Group's senior management. Options under this programme will vest if certain conditions, as defined in the programme, are met. It is based on the performance of the Illustrative Corporation's shares compared to other companies in the Greatstocks Stock Exchange within a specified period. In addition, participants in this programme have to be employed until the end of the agreed vesting period. Upon vesting, each option allows the holder to purchase one ordinary share at a discount of 20-25% of the market price determined at grant date.

IFRS 2.45(a) The Stay Programme is part of the remuneration package of the Group's research and development and sales personnel. Options under this programme will vest if the participant remains employed for the agreed vesting period. The maximum term of the options granted under the Stay Programme (ie the vesting period) ends on 31 January 2022. Upon vesting, each option allows the holder to purchase one ordinary share at a discount of 15-20% of the market price determined at grant date.

Share options and weighted average exercise prices are as follows for the reporting periods presented:

IFRS 2.45(b)	Star Programme		Stay Programme		
	Number of shares	Weighted average exercise price per share	Number of shares	Weighted average exercise price per share	
IFRS 2.45(b)(i)	Outstanding at 31 December 2020	300,000	6.24	95,250	5.81
IFRS 2.45(b)(ii)	Granted	-	-	-	-
IFRS 2.45(b)(iii)	Forfeited	(513)	6.24	(1,012)	5.81
IFRS 2.45(b)(iv)	Exercised	-	-	-	-
IFRS 2.45(b)(vi)	<b>Outstanding at 31 December 2020</b>	<b>299,487</b>	<b>6.24</b>	<b>94,238</b>	<b>5.81</b>
IFRS 2.45(b)(ii)	Granted	100,000	7.81	-	-
IFRS 2.45(b)(iii)	Forfeited	(312)	6.24	(3,489)	5.81
IFRS 2.45(b)(iv)	Exercised	(270,000)	6.24	-	-
IFRS 2.45(b)(vi)	<b>Outstanding at 31 December 2021</b>	<b>129,175</b>	<b>7.45</b>	<b>90,749</b>	<b>5.81</b>
IFRS 2.45(b)(vii)	Exercisable at 31 December 2020	-	-	-	-
IFRS 2.45(b)(vii)	Exercisable at 31 December 2021	29,175	6.24	-	-

IFRS 2.45(c) The weighted average share price per share at the date of exercise was CU 11.19 (no options were exercised in 2020).

IFRS 2.47(a)(i) The fair values of options granted were determined using a variation of the binomial option pricing model that takes into account factors specific to the share incentive plans, such as the vesting period. The performance condition related to the Star Programme, being a market condition, has been incorporated into the measurement by means of actuarial modelling. The following principal assumptions were used in the valuation:



	The Star Programme		The Stay Programme	
IFRS 2.47(a)(i)	Grant date	1 Jan 2018	1 Feb 2021	5 Jan 2017
	Vesting period ends	31 Dec 2020	31 Jan 2024	31 Jan 2022
	Share price at date of grant	CU 8.00	CU 10.01	CU 7.00
	Volatility	50%	50%	50%
	Option life	5 years	5 years	7 years
	Dividend yield	1%	1%	1%
	Risk-free investment rate	4%	4%	4%
	Fair value per option at grant date	CU 4.00	CU 6.70	CU 5.30
	Exercise price at date of grant	CU 6.08	CU 7.61	CU 5.81
	Exercisable from / to	1 Jan 2021/ 31 Dec 2022	1 Feb 2024/ 31 Dec 2026	1 Feb 2022/ 4 Jan 2024
IFRS 2.45(d)	Weighted average remaining contractual life	1.0 years	4.1 years	2.0 years

IFRS 2.47(a)(ii)  
IFRS 2.47(a)(iii)

The underlying expected volatility was determined by reference to historical data of Illustrative Corporation Ltd's shares over a period of time since its flotation on the Greatstocks Stock Exchange. No special features inherent to the options granted were incorporated into measurement of fair value.

IFRS 2.51(a)

In total, CU 298 (2020: CU 466) of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss and credited to retained earnings.

### 22.3 Pensions and other employee obligations

#### Telling the COVID Story

Measuring a defined benefit obligation involves making estimates and the use of assumptions (eg the appropriate interest rate, future salary increases and employee turnover). Given the sudden fall in markets and the decline in high quality corporate bond rates that have occurred as a result of COVID-19, an entity should consider the impact on its defined benefit obligation(s).

Most entities obtain full actuarial valuations approximately once every three years (depending on the jurisdiction) or as required by their regulator. In between, their actuary may do a more limited update to roll forward the figures for financial reporting purposes, although an up-to-date valuation of plan assets is normally required at each reporting date. Management should consider whether the estimate needs to be adjusted, or a more comprehensive valuation obtained, as a result of the impact of COVID-19.

An entity should have discussions with their actuaries, to ascertain whether COVID-19 has impacted any assumptions in their reports such that their estimates may need to be revisited. The guidance related to subsequent events on whether there may be an adjusting or non-adjusting event should also be considered.

The liabilities recognised for pensions and other employee remuneration consist of the following amounts:

		31 December 2021	31 December 2020
	<b>Non-current:</b>		
IAS 19.131	- Defined benefit liability (net)	10,386	13,642
	<b>Current:</b>		
IAS 19.131	- Defined benefit liability (net)	1,246	1,193
	- Other short term employee obligations	221	303
		<b>1,467</b>	<b>1,496</b>

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**Guidance note:** In the statement of financial position, the current and non-current portion of the defined benefit obligation (DBO) are presented separately to comply with IAS 1.60. However, paragraph 133 of IAS 19 does not specify whether this disaggregation is needed. Therefore, an entity is also allowed to present the obligation as non-current in its entirety.

IAS 1.69(c) IAS 19.131	<p>The current portion of these liabilities represents the Group's obligations to its current and former employees that are expected to be settled during 2022. Other short-term employee obligations arise mainly from accrued holiday entitlement at the reporting date and expected pension payments in the next 12 months (without deduction of plan assets). As none of the employees are eligible for early settlement of pension arrangements, the remaining part of pension obligations for defined benefit plans is considered non-current. The non-current portion of the defined benefit liability is presented net of plan assets.</p>
IAS 19.139(a)	<p><b>Defined benefit plan</b></p> <p>The Group has set up a partly funded pension scheme for mid to senior management, mainly in Euroland, the UK and the US. The scheme is available to certain senior workers after completing five years of service.</p> <p>According to the plan, a certain percentage of the current salary is converted into a pension component each year until retirement. Pensions under this scheme are paid out when a beneficiary has reached the age of 65. The pensionable salary is limited to CU 100 for a year. Eligible employees are required to contribute a stated percentage of pensionable salary.</p> <p>In Euroland and the UK, the pension payments are linked to the consumer price index (CPI), although certain limitations apply.</p>
IAS 19.139(a)	<p>The plan assets are managed by a pension fund that is legally separated from the Group. The board of trustees of the pension fund is required by its articles of association to act in the best interest of the fund and it is responsible for setting the investment policies. The Group has no representation on the board of the fund.</p>
IAS 19.139(b)	<p>The plan exposes the Group to actuarial risks such as interest rate risk, investment risk, longevity risk and inflation risk:</p> <ul style="list-style-type: none"><li>• <b>Interest rate risk</b> – The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the DBO and it is denominated in CU. A decrease in market yield on high quality corporate bonds will increase the Group's defined benefit liability, although it is expected that this would be offset partially by an increase in the fair value of certain of the plan assets.</li><li>• <b>Investment risk</b> – The plan assets at 31 December 2021 are predominantly real estate, equity and debt instruments. The fair value of the plan assets is exposed to the real estate market (in Euroland and the US). The equity instruments are significantly weighted towards the finance and pharmaceuticals sectors in Euroland.</li><li>• <b>Longevity risk</b> – The Group is required to provide benefits for life for the members of the defined benefit liability. Increase in the life expectancy of the members, particularly in Euroland and in the UK where the pension payments are linked to CPI, will increase the defined benefit liability.</li><li>• <b>Inflation risk</b> – A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Group's liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.</li></ul>
IAS 19.147(a)	<p>Employees of the Group are required to contribute a fixed 5% of the pensionable salary. The remaining contribution is partly funded by the Group's subsidiaries. The funding requirements are based on the pension fund's actuarial measurement framework as set out in the funding policies.</p>
IAS 19.147(b)	<p>Based on historical data, the Group expects contributions of CU 2,500 to be paid for 2022.</p>

IAS 19.131 The liability recognised for the Group's DBO is represented net of plan assets in accordance with  
IAS 19.135(b) IAS 19.131(a) and (b). It consists of the following amounts:

	31 December 2021	31 December 2020
Defined benefit obligation	53,874	47,410
Fair value of plan assets	(42,242)	(32,575)
<b>Pension liability</b>	<b>11,632</b>	<b>14,835</b>
Classified as:		
- Non-current liability	10,386	13,642
- Current liability	1,246	1,193
	<b>11,632</b>	<b>14,835</b>

IAS 19.138(a) The defined benefit obligation and plan assets are composed by geographical locations as follows:

31 December 2021	Euroland	UK	US	Others	Total
Defined benefit obligation	24,482	17,321	11,529	542	53,874
Fair value of plan assets	(18,586)	(13,057)	(10,427)	(172)	(42,242)
	<b>5,896</b>	<b>4,264</b>	<b>1,102</b>	<b>370</b>	<b>11,632</b>

  

31 December 2020	Euroland	UK	US	Others	Total
Defined benefit obligation	21,594	15,063	10,256	497	47,410
Fair value of plan assets	(14,123)	(9,748)	(8,553)	(151)	(32,575)
	<b>7,471</b>	<b>5,315</b>	<b>1,703</b>	<b>346</b>	<b>14,835</b>

A reconciliation of the Group's DBO and plan assets to the amounts presented in the consolidated statement of financial position for each of the reporting periods is presented below:

#### Defined benefit obligation

	2021	2020
IAS 19.140(a)(ii) Defined benefit obligation 1 January	47,410	38,889
IAS 19.141(a) Current service cost before deduction of beneficiary contributions	1,966	2,180
IAS 19.141(b) Interest expense	2,488	2,267
IAS 19.141(c)(i) Remeasurement - actuarial losses from changes in demographic assumptions	916	1,091
IAS 19.141(c)(iii) Remeasurement - actuarial losses from changes in financial assumptions	2,345	2,670
IAS 19.141(g) Benefits paid	(1,251)	(1,187)
IAS 19.141(d) Past service cost	-	1,500
IAS 19.140(a)(ii) <b>Defined benefit obligation 31 December</b>	<b>53,874</b>	<b>47,410</b>
IAS 19.138(e) Unfunded	-	-
<b>Partly or wholly funded</b>	<b>53,874</b>	<b>47,410</b>

#### Plan assets

	2021	2020
IAS 19.140(a)(i) Fair value of plan assets 1 January	32,575	28,801
IAS 19.141(b) Interest income	1,983	1,718
IAS 19.141(c)(i) Return on plan assets (excluding amounts included in interest)	7,091	220
IAS 19.141(f) Contributions by the Group	1,186	1,273
IAS 19.141(f) Contributions by beneficiaries	658	1,750
IAS 19.141(g) Benefits paid	(1,251)	(1,187)
19.140(a)(i) <b>Fair value of plan assets 31 December</b>	<b>42,242</b>	<b>32,575</b>

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The actual return on plan assets (including interest income) was CU 9,074 in 2021 (2020: CU 1,938).

IAS 19.142

Plan assets can be broken down into the following categories of investments:

	31 December 2021	31 December 2020	
IAS 19.142(a)	<b>Cash and cash equivalents</b>	<b>3,442</b>	<b>2,075</b>
IAS 19.142(b)	<b>Equity instruments:</b>		
	- Financial institutions	9,800	7,600
	- Pharmaceuticals	8,100	4,300
	- Oil and gas industry	1,600	1,700
	- Manufacturing industry	1,500	1,200
		<b>21,000</b>	<b>14,800</b>
IAS 19.142(c)	<b>Debt instruments:</b>		
	- Euroland government bonds	4,800	5,800
	- Corporate bonds (rated AA and above)	3,100	5,600
		<b>7,900</b>	<b>11,400</b>
IAS 19.142(d)	<b>Real estate:</b>		
	- in Euroland	6,700	2,500
	- in the US	3,200	1,800
		<b>9,900</b>	<b>4,300</b>
	<b>Total</b>	<b>42,242</b>	<b>32,575</b>

### Estimates and assumptions

#### Defined benefit obligation

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy. The assumptions used for the valuation of the defined benefit obligation are as follows<sup>6</sup>:

	31 December 2021	31 December 2020
Discount rate at date shown	5.3%	5.5%
Salary growth rate	3.0%	3.2%
Average life expectancies:		
- Male, 45 years of age at reporting date	84.5	84.5
- Female, 45 years of age at reporting date	87.5	87.5
- Male, 65 years of age at reporting date	82.5	82.5
- Female, 65 years of age at reporting date	84.5	84.5

IAS 1.125(a)

These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to each period-end by reference to market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

IAS 19.67

The present value of the DBO was measured using the projected unit credit method.

IAS 19.147(c)

The weighted average duration of the defined benefit obligation at 31 December 2021 is 23.3 years (2020: 23.2 years).

<sup>6</sup> For the purposes of these Example Financial Statements, it is assumed that the significant actuarial assumptions for the different geographical locations are the same. In practice, it is likely that there will be differences in the significant actuarial assumptions in different geographical locations, which will require their disclosure.

**Plan assets**

Plan assets do not comprise any of the Group's own financial instruments or any assets used by Group companies.

All equity and debt instruments have quoted prices in active markets (Level 1). Fair values of real estate investments do not have quoted prices and have been determined based on professional appraisals that would be classified as Level 3 of the fair value hierarchy as defined in IFRS 13.

**Defined benefit plan expenses**

Amounts recognised in profit or loss related to the Group's defined benefit plans are as follows:

	2021	2020	
IAS 19.120(a)	Current service cost	1,308	430
IAS 19.120(a)	Past service cost	–	1,500
IAS 19.120(b)	Net interest expense	505	549
	<b>Total expenses recognised in profit or loss</b>	<b>1,813</b>	<b>2,479</b>

IAS 19.134 The current service cost and the past service cost are included in employee benefits expense. The net interest expense is included in finance costs.

IAS 19.120(c) Amounts recognised in other comprehensive income related to the Group's defined benefit plans are as follows:

	2021	2020	
IAS 19.127(a)	Actuarial losses from changes in demographic assumptions	(916)	(1,091)
IAS 19.127(a)	Actuarial losses from changes in financial assumptions	(2,345)	(2,670)
IAS 19.127(b)	Return on plan assets (excluding amounts included in net interest)	7,091	220
	<b>Total income (expenses) recognised in other comprehensive income</b>	<b>3,830</b>	<b>(3,541)</b>

IAS 19.122 The income of CU 3,830 (2020: expense of CU 3,541) resulting from the remeasurement of the defined benefit liability/asset is included in the consolidated statement of other comprehensive income within items that will not be reclassified subsequently to profit or loss.

**Changes in the significant actuarial assumptions**

IAS 19.144 The calculation of the net defined benefit liability is sensitive to the significant actuarial assumptions mentioned above. The following table summarises the effects of changes in these actuarial assumptions on the defined benefit liability at 31 December:

IAS 19.145(a)	Discount rate	2021		2020	
		Increase to 6.3%	Decrease to 4.3%	Increase to 6.5%	Decrease to 4.5%
	Increase (decrease) in the defined benefit liability	(2,000)	2,100	(1,900)	2,000
	Salary Growth rate	Increase to 4%	Decrease to 2%	Increase to 4.2%	Decrease to 2.2%
	Increase (decrease) in the defined benefit liability	950	(780)	900	(730)
	Average life expectancies of males	Increase of one year	Decrease of one year	Increase of one year	Decrease of one year
	Increase (decrease) in the defined benefit liability	1,140	(930)	1,120	(910)
	Average life expectancies of females	Increase of one year	Decrease of one year	Increase of one year	Decrease of one year
	Increase (decrease) in the defined benefit liability	1,280	(1,090)	1,250	(1,060)

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IAS 19.145(b) The present value of the defined benefit obligation has been calculated with the same method (project unit credit) as the defined benefit obligation recognised in the consolidated statement of financial position. The sensitivity analyses are based on a change in one assumption while not changing all other assumptions. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely the change in any of the assumptions would occur in isolation of one another as some of the assumptions are correlated.

## 23. Provisions

### Telling the COVID Story

If the entity has to make additional provisions in relation to COVID-19 then these should be explained here. However, it is important to remember provisions should only be made if there is a legal or constructive obligation in place at the reporting date. For example, the entity may need to restructure parts of their business. Provisions for these costs should only be made when legal or constructive obligations exist, and full details should be disclosed in accordance with IAS 37.

IAS 1.69 All provisions are considered current. The carrying amounts and the movements in the provision account are as follows:

	Restructuring	Other	Total
IAS 37.84(a) Carrying amount 1 January 2021	2,110	1,235	3,345
IAS 37.84(b) Additional provisions	-	1,570	1,570
IAS 37.84(c) Amount utilised	(876)	(2,211)	(3,087)
IAS 37.84(d) Reversals	(510)	(103)	(613)
IAS 37.84(a) <b>Carrying amount 31 December 2021</b>	<b>724</b>	<b>491</b>	<b>1,215</b>

Provisions recognised at acquisition date in a business combination are included in additions (see Note 5.1). Provisions classified as held for sale are included within amount utilised (see Note 20).

IAS 37.85(a)  
IAS 1.125(a)  
IAS 37.85(b)  
IAS 37.85(c) The provision for restructuring relates to the Phoenix programme, which was initiated in late 2018 and carried out predominantly in 2020 and 2021. The restructuring provision as at 31 December 2021 was reduced following the outcome of several lawsuits brought against the Group during 2021 by former employees. Out of court settlements based on the outcome of earlier settlements are expected for most of the remaining claims. The Group's management expects to settle the remaining termination remuneration for former employees and legal fees relating to the restructuring programme in 2022. The Group is not eligible for any reimbursement by third parties in this regard.

IAS 37.85(a) Other provisions relate to various legal and other claims by customers, such as warranties for which customers are covered for the cost of repairs.

IAS 37.85(b)  
IAS 1.61 Usually, these claims are settled between 3 and 18 months from initiation, depending on the procedures used for negotiating the claims. As the timing of settlement of these claims is to a large extent dependent on the pace of negotiation with various counterparties and legal authorities, the Group cannot reliably estimate the amounts that will eventually be paid in settlement after more than twelve months from the reporting date. Therefore, the amount is classified as current.

IAS 1.125  
IAS 37.92 The majority of the other provisions recognised at 31 December 2020 related to claims initiated in 2020 that were settled during 2021. Management, on the advice of counsel, does not expect that the outcome of any of the remaining cases will give rise to any significant loss beyond the amounts recognised at 31 December 2021. None of the provisions will be discussed here in further detail so as to not seriously prejudice the Group's position in the related disputes.

## 24. Trade and other payables

### Telling the COVID Story

Trade and other payables may be impacted if the entity is adjusting (ie delaying) their terms of trade with suppliers. In addition, short-term bank overdrafts could increase if limits have been exceeded. Ensuring disclosures of such situations are made if these liabilities have changed significantly will help the users of the financial statements better understand the liquidity and cash flow position of the entity.

Trade and other payables consist of the following:

	31 December 2021	31 December 2020
<b>Current:</b>		
- Trade payables	7,843	6,472
- Short-term bank overdrafts	654	78
	<b>8,497</b>	<b>6,550</b>

IFRS 7.25  
IFRS 7.29(a)

All amounts are short-term. The carrying values of trade payables and short-term bank overdrafts are considered to be a reasonable approximation of fair value.

## 25. Contract and other liabilities

### Telling the COVID Story

Contract liabilities are unlikely to change significantly, unless customers have reduced what they are paying in advance. However, some contract liabilities may need to be non-current rather than current if contracts have been put on hold or delayed for an extended period. Because of the pandemic, milestones in contracts may no longer be met in the timeframes originally predicted. This could result in having to change the carrying amounts of the liabilities due to a need for them to be discounted.

Contract and other liabilities consist of the following:

	31 December 2021	31 December 2020
Advances received for construction contract work	513	427
Deferred service revenue	2,123	2,291
Other	22	657
<b>Other liabilities - current</b>	<b>2,658</b>	<b>3,375</b>
Contingent consideration for the acquisition of Goodtech	620	-
<b>Other liabilities - non-current</b>	<b>620</b>	<b>-</b>

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IAS 1.69

IAS 1.61

Advances received for construction contract work and deferred service revenue represent customer payments received in advance of performance (contract liabilities) that are expected to be recognised as revenue in 2022. As described in Note 4.7:

- the construction of telecommunication systems normally takes 10–12 months from commencement of design through to completion of installation, and
- maintenance and extended warranty contracts vary from 12–36 months in length, however, customers are only required to pay in advance for each successive twelve-month period.

The amounts recognised as a contract liability will generally be utilised within the next annual reporting period.

## 26. Reconciliation of liabilities arising from financing activities

IAS 7.44A

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings	Short-term borrowings	Lease liabilities	Total
<b>1 January 2021</b>	<b>21,265</b>	<b>3,379</b>	<b>35,509</b>	<b>60,153</b>
<b>Cash-flows:</b>				
- Repayment	-	(300)	(1,793)	(2,093)
- Proceeds	-	1,441	-	1,441
<b>Non-cash:</b>				
- Fair value	70	30	-	100
- Reclassification	(265)	265	-	-
<b>31 December 2021</b>	<b>21,070</b>	<b>4,815</b>	<b>33,716</b>	<b>59,601</b>

	Long-term borrowings	Short-term borrowings	Lease liabilities	Total
<b>1 January 2020</b>	<b>21,405</b>	<b>3,818</b>	<b>37,007</b>	<b>62,230</b>
<b>Cash-flows:</b>				
- Repayment	-	(649)	(1,498)	(2,147)
<b>Non-cash:</b>				
- Fair value	-	70	-	70
- Reclassification	(140)	140	-	-
<b>31 December 2020</b>	<b>21,265</b>	<b>3,379</b>	<b>35,509</b>	<b>60,153</b>



## 27. Finance costs and finance income

Finance costs for the reporting periods consist of the following:

	2021	2020
IFRS 720(b)	<b>Interest expense for borrowings at amortised cost:</b>	
	- Subordinated shareholder loan	200
	- Other borrowings at amortised cost	806
	<b>1,006</b>	<b>787</b>
IFRS 16.49 IFRS 16.53(b)	Interest expense for leasing arrangements	2,388
IFRS 720(b)	<b>Total interest expense</b>	<b>3,394</b>
IAS 23.26(a)	Interest expense capitalised into intangible assets	(80)
	<b>3,314</b>	<b>3,284</b>
	Net interest expense on defined benefit liability	505
	Change in fair value relating to contingent consideration liability	20
IFRS 720(a)(i)	Loss on foreign currency financial liabilities	30
	Change in fair value of equity investments	-
	<b>Total finance costs</b>	<b>3,869</b>
		<b>3,993</b>

IAS 23.26(b) The average capitalisation rate for interest expense included in the cost of intangible assets was 4.4% (2020: 4.5%).

Finance income for the reporting periods consists of the following:

	2021	2020
IFRS 720(b)	Interest from cash and cash equivalents	484
IFRS 720(b)	Interest on financial assets carried at amortised cost	171
IFRS 720(b)	Total interest for financial assets not at FVTPL	655
	Dividends from XY Ltd	40
	Change in fair value of equity investments	110
	Dividends from listed equity securities	29
IFRS 720(a)(i)	Fair value gains on forward exchange contracts held for trading	130
	<b>Total finance income</b>	<b>964</b>
		<b>885</b>

## 28. Other financial items

Other financial items consist of the following:

	2021	2020
IFRS 720(a)(i)	Gain from financial assets classified as FVTPL	6
IAS 21.52(a) IFRS 720(a)(iv)	Gain from exchange differences on loans and receivables	937
	<b>943</b>	<b>1,182</b>

## 29. Tax expense

### Telling the COVID Story

Certain governments have adopted tax reforms as a means of supporting business in 2020 and 2021 potentially affecting substantially enacted tax rates and/or realisation of deductible temporary differences. This could impact the tax disclosures as follows:

- Tax losses carry forward period may be extended and potentially may not expire when originally expected. Situations such as this should be disclosed, or
- The effective tax rate may be significantly different to the prior year and this should be explained.

An entity may be engaging in global tax planning arrangements to take advantage of the various government tax reforms and incentives arising from COVID-19. Those tax planning strategies may need to be reconsidered when preparing the financial statements.

IAS 12.79  
IAS 12.81(c) The major components of tax expense<sup>7</sup> and the reconciliation of the expected tax expense based on the domestic effective tax rate of Illustrative Corporation Ltd at 30% (2020: 28%) and the reported tax expense in profit or loss is as follows:

	2021	2020
IAS 12.81(c)(i)		
Profit before tax	21,661	17,466
IAS 12.85		
Domestic tax rate for Illustrative Corporation	30%	28%
	<b>6,498</b>	<b>4,890</b>
IAS 12.84		
Adjustment for tax rate differences in foreign jurisdictions	16	18
IAS 12.84		
Adjustment for tax-exempt income:		
- Relating to equity accounted investments	(24)	(41)
- Other tax-exempt income	(69)	(100)
- Gain on disposal of non-financial assets	(33)	-
IAS 12.84		
Adjustment for non-deductible expenses:		
- Relating to goodwill impairment	232	53
- Impairment of financial assets	48	63
- Other non-deductible expenses	126	5
	<b>6,794</b>	<b>4,888</b>
IAS 12.80		
Tax expense comprises:		
- Current tax expense	5,682	4,289
- Deferred tax expense:	-	-
IAS 12.80(c)		
- Origination and reversal of temporary differences	1,037	374
- Utilisation of previously recognised tax loss carryforwards	75	225
	<b>6,794</b>	<b>4,888</b>
Deferred tax expense (income), recognised directly in other comprehensive income	1,064	(1,157)

IAS 12.81(ab) Note 16 provides information on deferred tax assets and liabilities. Note 21.3 provides information on deferred income tax recognised directly in each component of other comprehensive income.

<sup>7</sup> Examples of major components of tax expense are included in IAS 12.80.

## 30. Earnings per share and dividends

### Earnings per share

IAS 33.70(a) Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the parent company (Illustrative Corporation Ltd) as the numerator, ie no adjustments to profit were necessary in 2021 or 2020.

IAS 33.70(b) The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

Amounts in thousand shares:	2021	2020
Weighted average number of shares used in basic earnings per share	12,520	12,000
Shares deemed to be issued for no consideration in respect of share-based payments	17	21
<b>Weighted average number of shares used in diluted earnings per share</b>	<b>12,537</b>	<b>12,021</b>

### Dividends

IAS 1.137(a) During 2021, Illustrative Corporation paid dividends of CU 3,000 (2020: CU Nil) to its equity shareholders. This represents a payment of CU 0.25 per share (2020: CU Nil per share).

Also during 2021, the directors proposed the payment of a dividend of CU 6,885 (CU 0.50 per share). As the distribution of dividends by Illustrative Corporation requires approval at the shareholders' meeting, no liability in this respect is recognised in the 2021 consolidated financial statements. No income tax consequences are expected to arise as a result of this transaction at the level of Illustrative Corporation.

### 31. Non-cash adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to profit before tax to arrive at operating cash flow:

Adjustments:	2021	2020
Depreciation, amortisation and impairment of non-financial assets	10,093	8,881
Foreign exchange gains	(937)	(1,164)
Interest and dividend income	(724)	(560)
Fair value gains on financial assets recognised in profit or loss	(186)	(343)
Cash flow hedges reclassified from equity	(640)	(712)
Interest expense	3,314	3,284
Impairment of financial assets	364	581
Fair value loss on financial liabilities recognised in profit or loss	30	70
Change in fair value of equity investments	(110)	90
Gain on disposal of non-financial assets	(115)	-
Share-based payment expenses	298	466
Net interest on defined benefit liability	505	549
Current and past service costs	1,308	1,930
Result from equity accounted investments	(391)	(141)
Change in fair value of investment property	(310)	(175)
Change in fair value of contingent consideration	20	-
Other	(577)	(404)
<b>Total adjustments</b>	<b>11,942</b>	<b>12,352</b>

Net changes in working capital:	2021	2020
Change in inventories	2,454	6,814
Change in trade and other receivables	(5,304)	545
Change in trade and other payables	(1,688)	(5,637)
Change in other liabilities	(1,852)	(114)
Change in other employee obligations	(3,285)	4,870
Change in provisions	(2,216)	(2,289)
<b>Total changes in working capital</b>	<b>(11,891)</b>	<b>4,189</b>

IAS 7:43

In 2021, the consideration transferred for the Group's acquisition of Goodtech (see Note 5.1) included a contingent payment arrangement amounting to CU 600 as of the acquisition date. The initial recognition of this liability and the subsequent change in fair value of CU 20 (2020: Nil) are non-cash transactions excluded from the consolidated statement of cash flows.

## 32. Related party transactions

### Telling the COVID Story

- Economic dependence – An entity that is otherwise not economically dependent on another entity or individual may find that its circumstances have changed during the course of the pandemic. Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, and any representations about transactions with related parties should not imply those transactions were made on terms equivalent to those that prevail in an arm's-length transaction unless such representations can be substantiated. Management should consider whether disclosure regarding economic dependence should be added to the financial statements.
- Guarantees – An entity that has provided guarantees to related parties as a result of COVID-19, will need to consider whether a liability should be recognised in the financial statements.

IAS 24.18(b)(i)  
IAS 24.18(b)(ii)

The Group's related parties include its associates and joint venture, key management, post-employment benefit plans for the Group's employees and others as described below. In addition, Illustrative Corporation has a subordinated loan from its main shareholder, the SRC Investment Trust (see Note 15.5 for information on terms and conditions), on which interest of CU 200 (2020: CU 200) is paid.

IAS 24.18(b)(i)  
IAS 24.18(b)(ii)

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

#### 32.1 Transactions with associates

IAS 24.19(d)  
IAS 24.18(a)  
IAS 24.18(b)

In order to meet peak demands by its customers, some of the Group's consulting services are sub-contracted to its associate, Equipe. During 2021, Equipe provided services valued at CU 568 (2020: CU 590). The outstanding balance of CU 20 (31 December 2020: CU 22) due to Equipe is included in trade payables.

#### 32.2 Transactions with joint ventures

IAS 24.19(e)  
IAS 24.18(a)  
IAS 24.18(b)

During 2021, Halftime provided services valued at CU 10 (2020: CU 3). There is no outstanding balance as at 31 December 2021 (31 December 2020: Nil).

#### 32.3 Transactions with key management personnel

IAS 24.19(f)

Key management of the Group are the executive members of Illustrative Corporation Ltd's board of directors, members of the executive council and non-executive directors. Key management personnel remuneration includes the following expenses:

	2021	2020
IAS 24.17(a)	<b>Short-term employee benefits:</b>	
	- Salaries including bonuses	2,420
	- Social security costs	70
	- Car allowance	220
		<b>2,710</b>
IAS 24.17(b)	<b>Post-employment benefits:</b>	
	- Defined benefit pension plans	312
	- Defined contribution pension plans	25
		<b>337</b>
IAS 24.17(d)	Termination benefits	100
IAS 24.17(e)	Share-based payments	103
	<b>Total remuneration</b>	<b>3,250</b>
		<b>2,920</b>

IAS 24.18(a)

During 2021, certain key management personnel exercised share options with total exercise price of CU 1,685 (2020: Nil) granted in the Group's Star Programme.

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IAS 24.18(a)  
IAS 24.18(b)

The Group allows its employees to take up limited short-term loans to fund merchandise and other purchases through the Group's business contacts. This facility is also available to the Group's key management personnel. During 2021, the Group's key management received short term loans totalling CU 40 (2020: CU 38). The outstanding balance of CU 1 (31 December 2020: CU 1) has been included in trade and other receivables.

During 2021, the Group obtained legal services from a law firm over which one of the directors exercises significant influence. The amount billed related to this legal service amounted to CU 21 (2020: Nil), based on normal market rates and was fully repaid at the reporting date.

### 32.4 Transactions with the defined benefit plan

IAS 24.9(b)(v)

The defined benefit plan is a related party. The defined benefit plan does not hold shares in Illustrative Corporation Ltd. The Group's only transaction with the defined benefit plan relate to contributions paid to the plan (see Note 22.3).

## 33. Contingent liabilities

### Telling the COVID Story

An entity may anticipate losses on account of reduction in demand, supply chain disruptions or losses due to an overall decline in economic output. However, future operating losses on existing contracts do not meet the definition of a liability unless they fall in the category of onerous contracts, and hence, should not be provided for in accordance with IAS 37, however (if it meets the definition) should be disclosed as a contingent liability.

IAS 37.86

Various warranty and legal claims were brought against the Group during both reporting periods. Unless recognised as a provision (see Note 23), management considers these claims to be unjustified and the probability they will require settlement at the Group's expense to be remote. This evaluation is consistent with external independent legal advice.

## 34. Financial instruments risk

### Telling the COVID Story

Due to the rapidly changing economic environment, an entity may find it is subject to new or increasing risk (eg credit, liquidity, or market risk) or concentrations of risk. In addition, an entity may find its risks have changed from the prior period. Management should evaluate whether additional risk disclosures are required.

IFRS requires an entity to disclose a sensitivity analysis (including quantitative disclosures) pertaining to changes in the relevant risk variable that are "reasonably possible" at the reporting date. Management may need to perform sensitivity calculations using a larger range for the risk variables or consider a direction of change that reflects expectations resulting from the COVID-19 pandemic.

**Risk management objectives and policies**IFRS 7.33  
IFRS 7.IG15

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 15.1. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

The Group enters into derivatives, principally for hedging foreign exchange risk. Associated disclosures relating to hedge accounting are included in Note 15.4.

**Guidance note:** IFRS 9 amended IFRS 7 to allow disclosures of financial instruments risks arising from the entity's hedge accounting activities and associated risk managing strategies to be placed outside the financial statements. Although paragraph IFRS 7.21B requires an entity to present the required disclosures in a single note or separate section in its financial statements, an entity need not duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to some other statement. For example, reference could be made to a management commentary or risk report, so long as those reports are made available to users of the financial statements on the same terms and at the same time as the financial statements. Without the information incorporated by cross-reference, the financial statements would be incomplete.

**34.1 Market risk analysis**

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

**Foreign currency sensitivity**

IFRS 7.33(a)

Most of the Group's transactions are carried out in CU. Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in US dollars (USD) and Pounds Sterling (GBP). The Group also holds an investment in a USD bond. Further, the Group has a USD loan, which has been used to fund the purchase of investment property in the United States.

IFRS 7.33(b)  
IFRS 7.IG15  
IFRS 7.22A

To mitigate the Group's exposure to foreign currency risk, non-CU cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within six months) from longer-term cash flows (due after six months). Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward exchange contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other same-currency transactions. Hedge accounting disclosures are included in Note 15.4.

**Notes to the consolidated financial statements**

For the year ended 31 December 2021 (expressed in thousands of Euroland currency units, except per share amounts)

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into CU at the closing rate:

IFRS 7.34(a)  
IFRS 7.34(c)

	Short-term exposure			Long-term exposure
	USD	GBP	Other	USD
<b>31 December 2021</b>				
Financial assets	4,518	3,629	308	1,363
Financial liabilities	(710)	(1,658)	-	(7,770)
<b>Total exposure</b>	<b>3,808</b>	<b>1,971</b>	<b>308</b>	<b>(6,407)</b>
<b>31 December 2020</b>				
Financial assets	2,920	1,840	233	1,442
Financial liabilities	(586)	(1,368)	-	(7,965)
<b>Total exposure</b>	<b>2,334</b>	<b>472</b>	<b>233</b>	<b>(6,523)</b>

IFRS 7.40(a)  
IFRS 7.40(b)

The following table illustrates the sensitivity of profit and equity in relating to the Group's financial assets and financial liabilities and the USD/CU exchange rate and GBP/CU exchange rate 'all other things being equal'. It assumes a +/- 10% change of the CU/USD exchange rate for the year ended at 31 December 2021 (2020: 10%). A +/- 5% change is considered for the CU/GBP exchange rate (2020: 5%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous twelve months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the CU had strengthened against the USD by 10% (2020: 10%) and GBP by 5% (2020: 5%) respectively then this would have had the following impact:

	Profit for the year			Equity		
	USD	GBP	Total	USD	GBP	Total
31 December 2021	(97)	(99)	(196)	(47)	(99)	(146)
31 December 2020	(53)	(24)	(77)	(3)	(24)	(27)

If the CU had weakened against the USD by 10% (2020: 10%) and GBP by 5% (2020: 5%) respectively then this would have had the following impact:

	Profit for the year			Equity		
	USD	GBP	Total	USD	GBP	Total
31 December 2021	97	97	194	37	97	134
31 December 2020	53	20	73	13	20	33

The higher foreign currency exchange rate sensitivity in profit in 2021 compared with 2020 is attributable to an increase in foreign currency denominated debt. Equity is more sensitive in 2021 than in 2020 because of an increase in use of foreign currency forwards.



**Interest rate sensitivity**IFRS 7.33(a)  
IFRS 7.33(b)  
IFRS 7.1G.15

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 31 December 2021, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The Group's investments in bonds and debentures all pay fixed interest rates. The exposure to interest rates for the Group's money market funds is considered immaterial.

IFRS 7.40(a)  
IFRS 7.40(b)

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2020: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year		Equity	
	+ 1%	- 1%	+ 1%	- 1%
31 December 2021	36	(36)	26	(16)
31 December 2020	32	(32)	23	(14)

**Other price sensitivity**IFRS 7.33(a)  
IFRS 7.33(b)  
IFRS 7.1G.15  
IFRS 7.40(a)  
IFRS 7.40(b)

The Group is exposed to other price risk in respect of its listed equity securities and the investment in XY Ltd (see Note 15.3).

For the listed equity securities, an average volatility of 20% has been observed during 2021 (2020: 18%). This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased by that amount, profit or loss and equity would have changed by CU 85 (2020: CU 62).

IFRS 7.33(b)

The investments in listed equity securities and in XY Ltd are considered long-term, strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilised in the Group's favour.

### 34.2 Credit risk analysis

IFRS 733(a)  
IFRS 733(b)

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables.

#### Credit risk management

The credit risk is managed on a group basis based on the Group's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions.

The Group continuously monitors the credit quality of customers based on a credit rating scorecard. Where available, external credit ratings and/or reports on customers are obtained and used. The Group's policy is to deal only with credit worthy counterparties. The credit terms range between 30 and 90 days. The credit terms for customers as negotiated with customers are subject to an internal approval process which considers the credit rating scorecard. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Service customers are required to pay the annual amount of the service upfront, mitigating the credit risk.

Trade receivables consist of a large number of customers in various industries and geographical areas.

#### Security

Trade receivables consist of a large number of customers in various industries and geographical areas. The Group does not hold any security on any trade receivables balance at each annual reporting date.

In addition, the Group does not hold any collateral relating to other financial assets (eg derivative assets, cash and cash equivalents held with banks) at each annual reporting date.

#### Trade receivables

IFRS 721

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

IFRS 735F(c)

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

IFRS 735G

The expected loss rates are based on the payment profile for sales over the past 48 months before 31 December 2021 and 31 December 2020 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Group has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within each annual reporting period.

IFRS 735F(e)

Trade receivables are written off (ie derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 31 December 2021 and 31 December 2020 was determined as follows:

**Guidance note:** The credit risk disclosure as illustrated in the financial statements does not include all the required disclosure in IFRS 7 for each class of financial asset, this is because such disclosure was immaterial for that class of financial asset. In practice it is a challenge in determining how much detail to provide to satisfy the requirements of IFRS 7.

Much of the challenge is when determining how much detail to include in the financial statements or how much emphasis to place on different aspects of the requirements and the level of aggregation. It is necessary to strike a balance between overburdening financial statements with excessive detail that may not assist the users of the financial statements and obscuring important information as a result of too much aggregation.

Detailed credit risk disclosure on the following items has not been included as they were immaterial:

- amounts due from banks (material in value but short term and assumed the omitted disclosures are not material due to their nature. However, this could be challenging in a number of cases, depending on credit worthiness of the banks and also depending on the period the entity is exposed to credit risk)
- listed bonds and other debentures, and
- derivative financial assets (not subject to the impairment model as carried at fair value).

Particular challenge will apply where there are material long-term financial assets, particularly where these are carried at amortised cost or FVOCI and hence are within the scope of the IFRS 9 impairment model. While many groups will not have these there will be a number of exceptions to this.

For instance, for this note in particular, in different circumstances an entity may have to include:

- enhanced disclosures in areas such as credit risk management practices where IFRS 7.35F-35G has specific requirements relating to various judgements made in applying the IFRS 9 expected credit loss model, and
- quantitative and qualitative information about amounts arising from expected credit losses in accordance with IFRS 7.35H -35L. These disclosures require quantitative information about changes in the credit loss provisions within the three buckets along with other information relating to changes in the equivalent gross amounts.

## Notes to the consolidated financial statements

For the year ended 31 December 2021 (expressed in thousands of Euroland currency units, except per share amounts)

IFRS 7.35N IFRS 7.IG20D	31 December 2021					
	Current	Trade receivables days past due			Total	
		More than 30 days	More than 60 days	More than 90 days		
IFRS 7.35G(a)	Expected credit loss rate	1.7%	6.5%	18%	60%	-
IFRS 7.35G(a)	Gross carrying amount	29,620	827	671	147	31,265
	Lifetime expected credit loss	504	54	121	88	767

IFRS 7.35N IFRS 7.42P	31 December 2020					
	Current	Trade receivables days past due			Total	
		More than 30 days	More than 60 days	More than 90 days		
IFRS 7.35G(a)	Expected credit loss rate	1.5%	6%	16%	55%	-
IFRS 7.35G(a)	Gross carrying amount	22,032	925	828	104	23,889
	Lifetime expected credit loss	331	56	135	57	579

IFRS 7.35H(b)(iii) The closing balance of the of the trade receivables loss allowance as at 31 December 2021 reconciles with the trade receivables loss allowance opening balance as follows:

	Opening loss allowance as at 1 January 2020	331
	Loss allowance recognised during the year	225
	<b>Loss allowance as at 31 December 2020</b>	<b>556</b>
IFRS 7.35I(c)	Loss allowance recognised during the year	221
	Loss allowance unused and reversed during the year	(10)
	<b>Loss allowance as at 31 December 2021</b>	<b>767</b>

**Guidance note:** In these Example Financial Statements, the trade receivables have all been assessed collectively for credit risk. There may be situations in practice where it would not be appropriate to assess all the receivables collectively either due to the receivables having different subcategories which do not share the same credit risk or the size of receivable is such that is managed and assessed on an individual basis. As such it is required that an entity disclosure information about how an entity has grouped financial instruments if they are assessed or measured on a collective basis.

The matrix used to disclose the credit risk exposure for trade receivables above is different from the impairment provision matrix used under IAS 39. The disclosure of credit risk disclosure under IFRS 9 is provided by credit risk grades and in this case the aging is a proxy of the credit risk grades (IFRS 7.35M, 35N). For the reasons expressed above, the entity has not included IFRS 7.35M disclosures relating to other financial assets such as amounts due from banks.

### Debt investments

IFRS 7.35F All the Group's investments in bonds and debentures measured at amortised cost are considered to have low credit risk and the loss allowance recognised is based on the 12 months expected loss. Management consider "low credit risk" for listed bonds and debentures to be those with high quality external credit ratings (investment grade).

**Other receivables**

IFRS 7.35F Other financial assets at amortised cost include amounts due from ABC limited.

The closing balance of the of the other receivables and debt investments at amortised costs loss allowance as at 31 December 2021 reconciles with the other receivables and debt investments at amortised cost loss allowance opening balance as follows:

	Other receivables	Debt investments
IFRS 7.42P		
Opening loss allowance as at 1 January 2020	3	30
Loss allowance recognised during the year	1	2
<b>Loss allowance as at 31 December 2020</b>	<b>4</b>	<b>32</b>
IFRS 7.35I(c)		
Receivables written of during the year	-	1
<b>Loss allowance as at 31 December 2021</b>	<b>4</b>	<b>33</b>

IFRS 7.36 The Group is also exposed to credit risk relating to derivative assets that are measured at fair value through profit or loss. The maximum exposure as at 31 December 2021 is the carrying amount of these instruments CU 212 (2020: CU 490).

**34.3 Liquidity risk analysis**

IFRS 7.33(a)  
IFRS 7.33(b)  
IFRS 7.39(c) Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over both the lookout periods.

IFRS 7.39(c)  
IFRS 7.B11F The Group's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting period. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables (see Note 15) significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months.

IFRS 7.39(a)  
IFRS 7.B11 As at 31 December 2021, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

31 December 2021	Current		Non-current	
	within 6 months	6 to 12 months	1 to 5 years	later than 5 years
US-dollar loans	280	280	1,761	8,215
Other bank borrowings	4,565	-	-	-
Non-convertible bond	208	208	8,888	-
Trade and other payables	8,497	-	-	-
<b>Total</b>	<b>13,550</b>	<b>488</b>	<b>10,649</b>	<b>8,215</b>

## Notes to the consolidated financial statements

For the year ended 31 December 2021 (expressed in thousands of Euroland currency units, except per share amounts)

IFRS 7.39(a)  
IFRS 7.B11

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting period as follows:

31 December 2020	Current		Non-current	
	within 6 months	6 to 12 months	1 to 5 years	later than 5 years
US-dollar loans	289	289	1,781	8,508
Other bank borrowings	3,124	-	-	-
Non-convertible bond	208	208	9,303	-
Trade and other payables	6,550	-	-	-
<b>Total</b>	<b>10,171</b>	<b>497</b>	<b>11,084</b>	<b>8,508</b>

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date. The subordinated shareholder loan amounting to CU 5,000 throughout all reporting periods is not included as this is only repayable upon liquidation of Illustrative Corporation Ltd. Annual interest payments amount to CU 200.

IFRS 7.39(b)  
IFRS 7.B11

In assessing and managing liquidity risks of its derivative financial instruments, the Group considers both contractual inflows and outflows. The contractual cash flows of the Group's derivative financial assets and liabilities are as follows:

	31 December 2021		31 December 2020	
	within 6 months	6 to 12 months	within 6 months	6 to 12 months
<b>Gross-settled forward contracts:</b>				
- Cash outflow	(212)	(6,978)	(190)	(7,100)
- Cash inflow	300	7,509	203	7,050
<b>Total</b>	<b>88</b>	<b>531</b>	<b>13</b>	<b>(50)</b>

Derivative financial instruments reflect forward exchange contracts (see Note 15.4) that will be settled on a gross basis.

## 35. Fair value measurement

### Telling the COVID Story

The fair value of an item (such as certain financial instruments, investment properties, and items of property, plant and equipment that are subject to systematic revaluation due to an accounting policy choice) must reflect market participant views and market data at the measurement date under current market conditions. There may be an increase in the amount of subjectivity involved in fair value measurements as a result of COVID-19, especially those based on unobservable inputs. In some cases, greater use of unobservable inputs will be required because relevant observable inputs are no longer available.

Changes to existing valuation techniques and inputs may be required in response to the current market conditions and depending on the significant of the amounts involved, management should consider obtaining assistance from external valuation specialists who possess the necessary expertise, experience and market knowledge required to properly apply IFRS 13. Providing transparency over the valuation techniques used and key assumptions and inputs used in determining fair value, including the sensitivities by providing disclosures required by IFRS 13, is an integral part of determining fair value and they are key to enhancing the usefulness of financial reporting to the users of financial statements.

**35.1 Fair value measurement of financial instruments**IFRS 13.76  
IFRS 13.81  
IFRS 13.86

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

31 December 2021	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Listed securities	421	-	-	421
Investment in XY Ltd	-	-	752	752
Other short-term financial assets	655	-	-	655
US-dollar forward contracts – cash flow hedge	-	467	-	467
GBP forward contracts – cash flow hedge	-	134	-	134
Other forward exchange contracts – held-for-trading	-	115	-	115
<b>Total assets</b>	<b>1,076</b>	<b>716</b>	<b>752</b>	<b>2,544</b>
<b>Financial liabilities</b>				
Contingent consideration (Note 25)	-	-	(620)	(620)
<b>Net fair value</b>	<b>1,076</b>	<b>716</b>	<b>132</b>	<b>1,924</b>

31 December 2020	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Listed securities	343	-	-	343
Investment in XY Ltd	-	-	720	720
GBP forward contracts – cash flow hedge	-	230	-	230
Other short-term financial assets	649	-	-	649
Other forward exchange contracts – held-for-trading	-	212	-	212
<b>Total assets</b>	<b>992</b>	<b>442</b>	<b>-</b>	<b>1,434</b>
<b>Financial liabilities</b>				
US-dollar forward contracts – cash flow hedge	-	(160)	-	(160)
<b>Net fair value</b>	<b>992</b>	<b>282</b>	<b>720</b>	<b>1,994</b>

IFRS 13.93(c)

There were no transfers between Level 1 and Level 2 during the year ended 31 December 2021 or 2020.

IFRS 13.93(d)  
IFRS 13.93(g)**Measurement of fair value of financial instruments**

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the chief financial officer (CFO) and to the audit committee. Valuation processes and fair value changes are discussed among the audit committee and the valuation team at least every year, in line with the Group's annual reporting dates.

## Notes to the consolidated financial statements

For the year ended 31 December 2021 (expressed in thousands of Euroland currency units, except per share amounts)

The following valuation techniques are used for instruments categorised in Levels 2 and 3:

IFRS 13.93(d)  
IFRS 13.93(h)

- **Foreign currency forward contracts (Level 2)** – The Group’s foreign currency forward contracts are not traded in active markets. These contracts have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for foreign currency forward contracts.
- **Contingent consideration (Level 3)** – The fair value of contingent consideration related to the acquisition of Goodtech (see Note 5.1) is estimated using a present value technique. The CU 620 fair value is estimated by probability-weighting the estimated future cash outflows, adjusting for risk and discounting at 4.4%. The probability-weighted cash outflows before discounting are CU 655 and reflect management’s estimate of a 50% probability that the contract’s target level will be achieved. The discount rate used is 4.4%, based on the Group’s estimated incremental borrowing rate for unsecured liabilities at the reporting date, and therefore reflects the Group’s credit position. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate.
- **Investment in XY Ltd (Level 3)** – The fair value of this investment was determined based on an appropriate equity pricing model that takes into account the investee’s dividends policy and its historical and expected future performance and based on an appropriate growth factor for a similar listed entity and a risk adjusted discount rate.

The following table provides information about the sensitivity of the fair value measurement to changes in the most significant inputs:

IFRS 13.93(h)

Description	Significant unobservable input	Estimate of the input	Sensitivity of the fair value measurement to input
Contingent consideration	Probability of meeting target	50%	An increase to 60% (decrease to 40%) would increase (decrease) fair value by CU 125.
Investment in XY Ltd	Earnings multiple	5%	An increase of the growth factor by 100 basis points and a lower discount rate of 100 basis points would increase the fair value by CU 65. Lowering the growth factor by 100 basis points and increasing the discount factor by 100 basis point would decrease fair value by CU 85
Investment in XY Ltd	Risk adjusted discount rate	15%	

There are no major interrelationships between the significant input (management’s estimate of the probability that the contract’s target level will be achieved) and the unobservable inputs.

### Level 3 fair value measurements

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

IFRS 13.93(e)

IFRS 13.93(e)(iii)

IFRS 13.93(e)(i)

IFRS 13.93(f)

	Contingent consideration	Investment in XY Ltd
<b>Balance at 1 January 2020</b>	-	<b>460</b>
Amount recognised in profit or loss	-	260
<b>Balance at 31 December 2020</b>	-	<b>720</b>
Acquired through business combination	(600)	-
Amount recognised in profit or loss	(20)	32
<b>Balance at 31 December 2021</b>	<b>(620)</b>	<b>752</b>
Total amount included in profit or loss for unrealised losses on Level 3 instruments		
<b>2020</b>		
Finance income	-	260
<b>2021</b>		
Finance costs	(20)	-
Finance income	-	32



Financial instruments measured at amortised cost for which the fair value is disclosed  
See Note 15.2.

### 35.2 Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis:

31 December 2021	Level 1	Level 2	Level 3	Total
<b>Property, plant and equipment:</b>				
- land owned in Euroland	-	-	7,697	7,697
- Goodtech land	-	-	730	730
<b>Investment property:</b>				
- office building in Euroland	-	-	4,552	4,552
- Goodtech investment property	-	-	75	75
- office building in the US	-	-	8,035	8,035
<b>31 December 2020</b>				
<b>Property, plant and equipment:</b>				
- land owned in Euroland	-	-	7,697	7,697
- Goodtech land	-	-	-	-
<b>Investment property:</b>				
- office building in Euroland	-	-	4,366	4,366
- office building in the US	-	-	7,911	7,911

IFRS 13.93(d)  
IAS 40.75(e)  
IAS 16.77(b)

The fair value of the Group's main property assets is estimated based on appraisals performed by independent, professionally qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board of directors and audit committee at each reporting date.

#### Land owned in Euroland (Level 3)

IFRS 13.93(d)  
IFRS 13.93(g)  
IAS 16.77(a)

The appraisal was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use. In 2021, a negative adjustment of 7.5% was incorporated for these factors. The land was revalued on 23 November 2021. The land was previously revalued in November 2018.

IFRS 13.93(h)

The significant unobservable input is the adjustment for factors specific to the land in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

IFRS 13.93(d)

Land with a fair value of CU 730, recognised upon the acquisition of Goodtech in March 2021 (see Note 5.1), was not revalued at the reporting date. Management determined that the effect of changes in fair values between the acquisition and reporting date is immaterial.

## Notes to the consolidated financial statements

For the year ended 31 December 2021 (expressed in thousands of Euroland currency units, except per share amounts)

### Office buildings in Euroland and the US (Level 3)

IFRS 13.93(d) The fair values of the office buildings are estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. When the actual rent differs materially from the estimated rent, adjustments have been made to the estimated rental value. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, the terms of in-place leases and expectations for rentals from future leases over the remaining economic life of the buildings. The office buildings are revalued annually on 31 December.

IFRS 13.93(h) The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels, and the discount rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rate (market yields) decline. The overall valuations are sensitive to all three assumptions. Management considers the range of reasonably possible alternative assumptions is greatest for rental values and vacancy levels and that there is also an interrelationship between these inputs. The inputs used in the valuations at 31 December 2021 were:

	Euroland	US
Rental value	CU 108/sqm	USD 65/sqm
Vacancy levels	9%	11%
Discount rate (market yield)	4.4%	3.7%

IFRS 13.93(d) An investment property with a fair value of CU 75, recognised upon the acquisition of Goodtech (see Note 5.1) in March 2021, was not revalued at the reporting date. Management has determined the effect of changes in fair values between the acquisition and reporting date is immaterial.

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is as follows:

	PP&E Land held	Investment properties Euroland	US
IFRS 13.93(e)	7,697	4,366	7,911
IFRS 13.93(e)(i)	<b>Gains recognised in profit or loss:</b>		
	-	186	124
IFRS 13.93(e)(ii)	<b>Gains recognised in other comprehensive income:</b>		
	303	-	-
	(21)	-	-
IFRS 13.93(e)(iii)	730	75	-
	<b>8,709</b>	<b>4,627</b>	<b>8,035</b>
IFRS 13.93(f)	-	186	124

	PP&E Land held	Investment properties Euroland	US
IFRS 13.93(e)	7,697	4,293	7,809
IFRS 13.93(e)(i)	<b>Gains recognised in profit or loss:</b>		
	-	73	102
IFRS 13.93(e)(ii)	<b>Gains recognised in other comprehensive income:</b>		
	-	-	-
	-	-	-
	<b>7,697</b>	<b>4,366</b>	<b>7,911</b>
IFRS 13.93(f)	-	73	102

## 36. Capital management policies and procedures

### Telling the COVID Story

During the global pandemic the entity may need to revise its capital management policies or objectives. For example, they may no longer be able to maintain the capital-to-financing ratios previously set or covenants may need to be renegotiated with lenders on borrowings. Any significant changes should be disclosed here, including plans to return to original objectives and how that might happen.

- IAS 1.134 The Group's capital management objectives are:
- to ensure the Group's ability to continue as a going concern, and
  - to provide an adequate return to shareholders by pricing products and services in a way that reflects the level of risk involved in providing those goods and services.
- IAS 1.135(a)(i) The Group monitors capital on the basis of the carrying amount of equity plus its subordinated loan, less cash and cash equivalents as presented in the consolidated statement of financial position and cash flow hedges recognised in other comprehensive income.
- IAS 1.135(a)(ii) The Group's goal in capital management is to maintain a capital-to-overall financing ratio of 1:6 to 1:4. This is in line with the Group's covenants included in the terms of the subordinated loan from its main shareholder advanced in 2017 (see Note 15.5).
- IAS 1.135(a)(iii) Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

IAS 1.135(b)	2021	2020
Total equity	87,140	52,746
Subordinated loan	5,000	5,000
Cash flow hedges	(467)	160
Cash and cash equivalents	(34,729)	(11,197)
<b>Capital</b>	<b>56,944</b>	<b>46,709</b>
Total equity	87,140	52,746
Borrowings	25,815	24,644
Leasing liabilities	33,716	35,509
<b>Overall financing</b>	<b>146,671</b>	<b>112,899</b>
<b>Capital-to-overall financing ratio</b>	<b>0.39</b>	<b>0.41</b>

- IAS 1.135(d) The Group has honoured its covenant obligations, including maintaining capital ratios, since the subordinated loan was taken out in 2017. The ratio-reduction during 2021 is primarily a result of financing the acquisition of Goodtech (see Note 5.1).

## 37. Events after the reporting date

### Telling the COVID Story

COVID-19 related consequences have to be factored into any adjusting event determinations and disclosures that are made. Every reporting entity has to carefully consider the conditions and how they impact the reporting entity, because the same condition could impact entities differently for the same reporting date. IAS 10 makes it clear management should consider all relevant circumstances that relate to the entity's operations until the financial statements are authorised and approved for issue by those charged with the governance of the reporting entity. It is appropriate for management to consider the following information which potentially became apparent subsequent to period-end when assessing the accuracy of their estimates and judgements made prior to the information becoming available:

- Restrictions on domestic and international travel
- The economic consequences of social distancing resulting on capacity restrictions at events and hospitality locations
- Forecasts potentially not being achieved due to market conditions
- Cessation of non-essential services
- Interruptions in supply of either good or services
- Customers entering administration, or
- Government support.

For more details refer to our article on 'Events after the reporting period'.

IAS 10.8  
IAS 10.21

No adjusting or significant non-adjusting events have occurred between the 31 December reporting date and the date of authorisation.

**Guidance note:** IAS 10.3 and 10.8 require the financial statements to consider events, occurring before the financial statements are authorised for issue. Events occurring after this date are not reflected.

## 38. Authorisation of financial statements

### Telling the COVID Story

If your regulator has delayed the reporting deadlines as a result of COVID-19, and the authorisation of the financial statements has been delayed because of this, it would be helpful to disclose to the users of the financial statements what has caused the delay.

IAS 10.17

The consolidated financial statements for the year ended 31 December 2021 (including comparatives) were approved by the board of directors on 1 March 2022.

**C Executive**  
[Board member 1]

**C Finance**  
[Board member 2]

**Guidance note:** IAS 10.18 emphasises that it is important for users to know when the financial statements were authorised for issue as they do not reflect events after that date.

# Appendices to the IFRS Example Consolidated Financial Statements

Illustrative Corporation Group  
31 December 2021



# Appendix A

## Organising the statement of profit or loss by function of expenses

IAS 1.99 IAS 1.99 allows a statement of profit or loss format analysing expenses using a classification based on either the nature of expenses (NOE) or based on the function of expenses (FOE) within the entity. This depends on management's assessment of which format provides information that is reliable and more relevant.

The NOE format is illustrated in the main body of the Example Financial Statements. The FOE format is illustrated in this appendix. This appendix presents a separate statement of profit or loss, ie other comprehensive income is presented in a separate statement of comprehensive income (see the main body of the Example Financial Statements).

If the entity presents a single statement of comprehensive income (see Appendix B), the FOE format included in this appendix may replace the NOE format presented in in Appendix B.

The FOE or NOE formats only affect the statement of profit or loss but do not affect the presentation requirements for other comprehensive income.

IAS 1.104 Presenting the statement of profit or loss in the FOE format requires additional considerations:

- additional disclosures of the nature of certain expenses are required, including employee benefit expenses and depreciation, amortisation and impairment of non-financial assets
- the disclosures of the specific line items in the statement of profit or loss where certain transactions or amounts are recognised (for example, see Note 9, Note 10 and Note 22 of the Example Financial Statements) should reflect the actual line items presented in the FOE statement of profit or loss.

In addition, when an entity includes the analysis of profit or loss from a discontinued operation in the notes to the financial statements (see Note 20), such information should be presented in the same format as the main consolidated statement of profit or loss. This will facilitate a better understanding of the financial effects of the discontinued operations.



# Appendix B

## Statement of comprehensive income presented in a single statement

The main body in these Example Financial Statements presents the statement of comprehensive income in two statements (see guidance note to the consolidated statement of profit or loss). This appendix presents the alternative of a single statement of comprehensive income (using the NOE format).

Disclosure requirements, however, remain unchanged (see guidance note to the consolidated statement of comprehensive income).

In general, notes to the financial statements will need to be tailored so that they refer to the statement of comprehensive income and not the statement of profit or loss, where appropriate. For example, tailoring is necessary to reflect that discontinued operations are shown as a separate line item in the statement of comprehensive income (see Note 4.10). However, it should be noted the term profit or loss continues to apply.

## Consolidated statement of comprehensive income

	Notes	2021	2020
IAS 1.51(c)			
IAS 1.82(a)	8, 9	<b>205,793</b>	191,228
IAS 1.85		<b>299</b>	708
IAS 1.85		<b>(7,923)</b>	(6,815)
IAS 1.85		<b>(42,535)</b>	(39,420)
IAS 1.85	22	<b>(113,809)</b>	(109,515)
IAS 1.85	14	<b>310</b>	175
IAS 1.85		<b>(10,093)</b>	(8,881)
IAS 1.85	34.2	<b>(212)</b>	(228)
IAS 1.85		<b>(8,598)</b>	(8,943)
		<b>23,232</b>	<b>18,309</b>
IAS 1.82(c)	7	<b>391</b>	141
IAS 1.82(b)	27	<b>(3,869)</b>	(3,993)
IAS 1.85	27	<b>964</b>	885
IAS 1.85	28	<b>943</b>	1,182
		<b>21,661</b>	<b>16,524</b>
IAS 1.82(d)	29	<b>(6,794)</b>	(4,888)
		<b>14,867</b>	<b>11,636</b>
IAS 1.82(ea)	20	<b>(9)</b>	(325)
IAS 1.81A(a)		<b>14,858</b>	<b>11,311</b>



## Consolidated statement of comprehensive income

	Notes	2021	2020
		<b>Other comprehensive income:</b>	
		<b>Items that will not be reclassified subsequently to profit or loss</b>	
IAS 1.82A(a)(i)			
IAS 16.77(f)	12	303	-
IAS 19.120(c)	22	3,830	(3,541)
IAS 1.90 IAS 1.91(b)	21.3	(1,240)	1,062
		<b>Items that will be reclassified subsequently to profit or loss</b>	
IAS 1.82A(a)(ii)		<b>Cash flow hedging:</b>	
IFRS 7.24C(b)(i)	21.3	890	540
IFRS 7.24C(b)(iv) IAS 1.92	21.3	(640)	(712)
IAS 21.52(b)		(664)	(341)
IAS 1.82A(b)	7	5	
IAS 1.92		(3)	-
IAS 1.90 IAS 1.91(b)	21.3	176	95
IAS 1.81A(b)		<b>2,657</b>	<b>(2,897)</b>
IAS 1.81A(c)		<b>17,515</b>	<b>8,414</b>
		<b>Profit for the year attributable to:</b>	
IAS 1.81B(a)(i)		121	116
IAS 1.81B(a)(ii)		14,737	11,195
		<b>14,858</b>	<b>11,311</b>
		<b>Total comprehensive income attributable to:</b>	
IAS 1.81B(b)(i)		121	116
IAS 1.81B(b)(ii)		17,394	8,298
		<b>17,515</b>	<b>8,414</b>
		<b>Earnings per share</b>	
	Notes	2021	2020
IAS 33.67A	30	<b>Basic earnings (loss) per share:</b>	
IAS 33.66		1.19	0.93
IAS 33.68A		(0.00)	(0.03)
IAS 33.66		<b>1.19</b>	<b>0.90</b>
IAS 33.67A		<b>Diluted earnings (loss) per share:</b>	
IAS 33.66		1.19	0.93
IAS 33.68A		(0.00)	(0.03)
IAS 33.66		<b>1.19</b>	<b>0.90</b>

# Appendix C

## Effective dates of new IFRS Standards

Based on IFRS Standards issued at 31 October 2021

Standard	Title of Standard or Interpretation	Effective for annual reporting periods beginning on or after	Considered for preparation of EFS?	Early application?
various	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	✓	✓
IFRS 3	Definition of a Business (Amendments to IFRS 3)	1 January 2020	✓	✓
IAS 1, IAS 8	Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020	✓	✓
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	1 January 2020	✓	✓
IFRS 16	COVID-19-Related Rent Concessions	1 June 2020	✓	✓
IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16	Interest Rate Benchmark Reform Phase 2	1 January 2021	no	✓
IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021			
IFRS 3	References to the Conceptual Framework	1 January 2022	no	✓
IAS 16	Proceeds before Intended Use	1 January 2022	no	✓
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022	no	✓
IFRS 1, IFRS 9, IFRS 16, IAS 41	Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022	no	✓
IFRS 17	Insurance Contracts	1 January 2023	no	✓*
IFRS 17 and IFRS 4	Amendments to IFRS 17 Insurance Contracts	1 January 2023	no	✓
IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023	no	✓
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (Amendments to IAS 12)	1 January 2023	no	✓

Not necessarily all Standards listed above are applicable to these Example Financial Statements but have been considered in the preparation of those.

\* Entities adopting IFRS 17 early have to apply IFRS 9 and IFRS 15 before or on the same date.





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